CITY OF MIAMI SPRINGS, FLORIDA COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED SEPTEMBER 30, 2005

Prepared By The Finance Department

CITY OF MIAMI SPRINGS, FLORIDA

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CITY OF MIAMI SPRINGS, FLORIDA

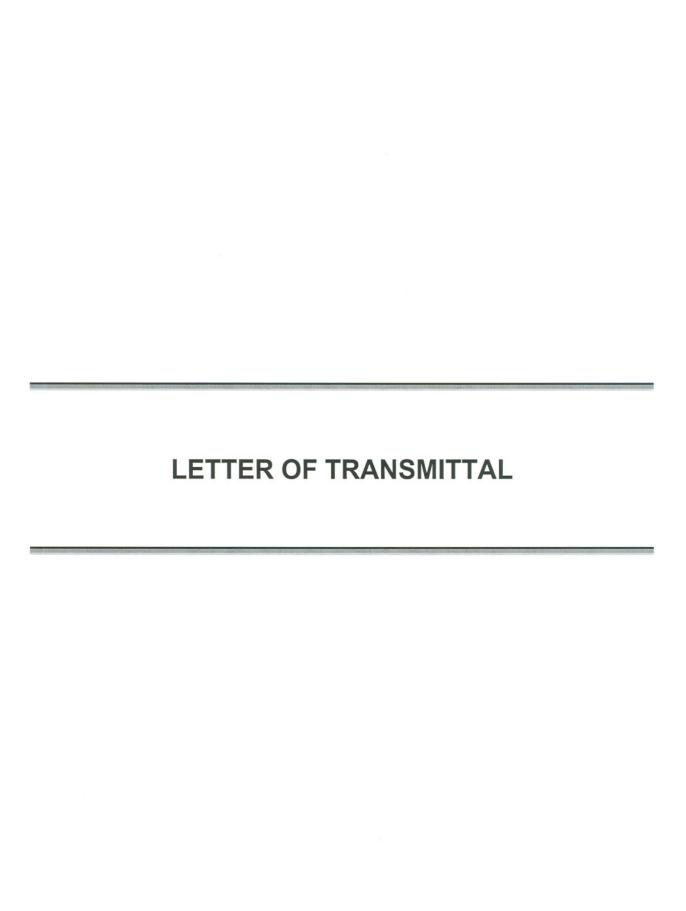
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OFFICE OF CITY MANAGER 201 WESTWARD DRIVE MIAMI SPRINGS, FL 33166 TELEPHONE (305) 805-5010 FAX: (305) 805-5040

November 22, 2005

To the Citizens of the City of Miami Springs:

It is our pleasure to submit the <u>Comprehensive Annual Financial Report</u> (CAFR) for the City of Miami Springs, Florida, for the fiscal year ended September 30, 2005, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the City Charter. The financial statements included in this report conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The financial statements have been audited by Caballero & Castellanos, P.L., Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the City and complies with all reporting standards noted above.

The independent audit of the financial statements of the City of Miami Springs was part of a broader, federal mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. There were no Single Audit findings during the fiscal year ended September 30, 2005.

The CAFR is divided into three parts. The Introductory Section provides a summary of the contents of the entire report and general information about the reporting entity. The Financial Section includes the Auditor's Opinion, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and the Combining and Individual Fund Financial Statements and Schedules. Other financial information includes budgeting and other statements and schedules provided to supplement required financial data. The Statistical Section includes a number of tables that provide historical, social, economic and financial trend data that offers an overview of the City's fiscal situation. The contents of the report have been influenced by compliance with GASB pronouncements, including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis. The MD&A can be found immediately following the independent auditors' report.

PROFILE OF THE GOVERNMENT

The City of Miami Springs is a political subdivision of the State of Florida located in Miami-Dade County and was incorporated in 1926. The City operates under a City Manager form of government in which the City elects five council members, one of whom is the Mayor, every two years. The City Council determines the policies that guide the City's operations and hiring a City Manager to implement and administer these policies on a full-time basis.

PROFILE OF THE GOVERNMENT(continued)

Miami Springs provides a full range of municipal services including police, parks and recreation facilities, solid waste collection, water distribution/wastewater collection, stormwater, senior center, building and zoning, planning, code enforcement, and the golf course and country club.

ECONOMIC CONDITION AND OUTLOOK

The City of Miami Springs is located in Southeast Florida, Miami-Dade County, immediately north and bordering the Miami International Airport. The City, primarily residential in nature, comprises approximately 2.8 square miles with approximately 14,000 full-time residents. The southern-most area of the City, located along the 36th Street business corridor, is commercial in nature with hotels, restaurants and office complexes. These facilities primarily service the airport and support industries related to the facility and its employees.

The City of Miami Springs has been successful in providing a high quality of life for its residents, by enhancing the level of services being offered. But in addition to the increased efforts to enhance services, the City has also provided increased benefits to its employees, as a recognition of the fact that, in order to continue to provide these valuable services, it must retain and reward its valuable employees.

One of our goals has been to get the City's bond credit rating upgraded by the rating agencies. During December 2004, after numerous conferences with Standard & Poor's (S&P), the City received notification from S&P that the City's General Obligation bonds rating had been upgraded from "BBB+ with a negative outlook" to "BBB+ with a stable outlook". This is a significant and necessary first step in reversing our negative financial trend, maintaining our BBB+ investment grade rating, as well as providing another independent expert's view to our resident, Council, employees and suppliers that the City has the financial strength to meet its financial needs both now and in the future.

The City recognizes the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. The City is pursuing various avenues of economic development and revitalization including strengthening our existing commercial areas by pursuing funding from the State to institute a storefront remodeling/ "Main Street" concept. The City is also performing economic feasibility studies in preparation for possible annexation of areas west of the City, as well as developing a plan for the NW 36th Street corridor. These factors will be critical in increasing and/or strengthening our commercial tax base.

Long term financial plan

During the 2005 fiscal year, Miami Dade County voters approved a bond issue which will provide municipalities within the County with funding for specific projects. The City of Miami Springs is targeted to receive approximately \$1.5 million toward the construction or renovation of the City's gymnasium. The Administration and Council are aggressively seeking additional funding sources in order to construct a recreational complex to replace our aging facilities. The City is also targeted to receive another \$1.5 million for the water and sewer infrastructure. These funds will help reduce the current costs of operating the system as well as reduce the subsidies from the General Fund that have been provided in prior years. This will result in additional funds in the General Fund that may be earmarked for other citywide projects or rebuilding cash reserves.

The City continues to address the infiltration and inflow problems of the sewer system infrastructure. The City has budgeted approximately \$1.5 million in FY 2005-06 for permanent repairs to the system. These repairs will help reduce the operating costs of the system. In addition, the City Council approved significant water, sewer, and sanitation rate increases effective October 1, 2005. These increases, the first in over three years, will help the City not only cover the operating costs of these services but also establish reserves for future renewal and replacement programs.

The City also recognizes the effect on the City's fund balances and reserves from continued operating losses in its golf and country club operation. The City has already contracted with a third party to take over the food and beverage operation with full profit and loss responsibility. The City is now developing various operating models and alternatives that would further reduce operating losses from the golf side of the operation during the next fiscal year and beyond.

Long term financial plan(continued)

In August and October 2005, the City incurred significant damage from Hurricanes Katrina and Wilma. Hurricane Katrina alone cost the City almost \$1.7 million with approximately \$1.25 million being reimbursed by the Federal Emergency Management Agency (FEMA). The City's general fund subsidized the remaining \$450,000 in un-reimbursable expenditures. It is projected that Wilma will cost the City almost twice as much as Katrina. These losses will have to be subsidized from the City's available fund balance. Since most experts anticipate a few more years of active hurricane seasons, it is imperative that the City budget and allocate sufficient contingency funds to meet these future losses.

FINANCIAL INFORMATION

City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system.

The City's accounting system is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are generally determined by City Council upon the recommendation of the City Manager with the Finance Director establishing accepted accounting policies and procedures as well as the number of funds maintained.

CASH MANAGEMENT

The City of Miami Springs is fully charged with the security of the City's funds and assets with the goal of maximizing return on surplus or idle cash. Cash management policies are clearly identified in the adopted budget documents along with regulations defined by the laws of the State of Florida. The City's primary investment instruments are overnight repurchase agreements, certificates of deposits, and State Board of Administration (SBA) funds. The principal focus of cash management is to ensure the safety of the City's cash while maximizing our return on each investment. No investment is made for any commitment period exceeding six months.

During FY2005, the City earned \$143,331 in investment income, as compared to \$63,406 earned in fiscal year 2004. The City invested in Certificates of Deposits during FY2005, these investments yielded higher rates than those offered by the SBA thus resulting in the increased investment income for the fiscal year.

DEBT ADMINISTRATION

The City's outstanding long-term debt obligations consists of two tax-exempt bond instruments: the General Obligation Bond, series 1997, and the Revenue Refunding and Improvement Bonds, series 1998 (refunding the previously recorded utility Revenue Bond, series 1994). The face value of each bond on September 30, 2005 was \$3,770,000 and \$9,090,000 for the General Obligation and Revenue Refunding and Improvement Bonds, respectively.

On October 1, 2002, the City signed a non-interest bearing promissory note (the "Note") with the Florida Department of Transportation (the "FDOT") in the amount of \$1,239,390 for the cost of relocating water and

DEBT ADMINISTRATION (continued)

sewer utility lines located in the FDOT's right of way related to the "Lejeune Flyover Project". Under the terms of the note, the City was required to make 180 monthly payments of \$6,885 beginning on October 2002. However, if the total project costs upon completion were lower or greater than the original amount of the note, a new promissory note would be executed for the final project costs less payments made by the City as of the date of project completion. On February 1, 2005, a new non-interest bearing replacement promissory note was signed by the City in the amount of \$608,428.54. Under the terms of the new replacement note, the City is required to make 151 monthly installments of \$4,002.80 beginning February 1, 2005.

During fiscal year 2003, Miami Dade County (the "County") completed a local canal dredging and culvert replacement project which was to be paid based on a local match responsibility allocation. During FY 2005, the County updated its cost estimates and the City's responsibility was estimated to be \$414,578. Repayment terms are being negotiated with the County. As of September 30, 2005, negotiations were still ongoing for a repayment agreement.

RISK MANAGEMENT

The City purchases general liability, automobile, and property and casualty insurance coverages through the Florida League of Cities program. The City is self insured for its workers' compensation coverage which is administered through the Miami-Dade County Risk Management program.

RETIREMENT BENEFITS

The City of Miami Springs sponsors two defined benefit pension plans, the General Employees' Pension Fund and the Police Retirement System. These two pension plans are administered through separate independent Pension Boards. Each Pension Board hires outside pension plan administrators to administer each plan. Each year an independent actuary, engaged by each of the pension plans, calculates the amount the annual contribution that the City of Miami Springs must make to each pension plan to ensure that the plan will be able to fully meet its obligations. As a matter of policy, the City of Miami Springs fully funds each year's annual required contribution to the pension plan as determined by the actuary. Each of the plans issues a publicly available financial report that includes financial statements and required supplementary information. These financial reports may be obtained by writing to the Board of Trustees c/o City of Miami Springs, 201 Westward Drive, Miami Springs, Florida 33166.

The City also provides a defined contribution 401(a) plan for certain management employees. Under the 401(a) plan for fiscal year 2005, the City contributed 15% of gross pay to eligible employees.

INDEPENDENT AUDIT

In accordance with Florida Statutes Section 218.39, the City has engaged the firm of Caballero & Castellanos, P.L., to perform the independent audit of the City's financial statements. The Independent Certified Public Accountant's report is included in the financial section of this Comprehensive Annual Financial Report.

AWARDS AND ACKNOWLEDGEMENTS

This year, the City has applied for the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

AWARDS AND ACKNOWLEDGEMENTS(continued)

Additionally, the City received the Government Finance Officers Association's Distinguished Budget Presentation Award for the annual appropriated budget for the fiscal year beginning October 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including meeting program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

A Distinguished Budget Presentation Award is valid for a period of one year only. We believe that our current budget continues to meet the Distinguished Budget Presentation Award program's requirements and we are submitting it to the GFOA to determine its eligibility for another award.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the City's audit firm, Caballero & Castellanos, P.L. We express our appreciation to them for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. Finally, we would also like to thank the various operating departments for their timely contributions in the writing of this report.

In closing, without the leadership and support of the Mayor and City Council, the accomplishments and anticipated future successes noted in this report would not have been possible.

Respectfully submitted,

James R. Borgmann City Manager William Alonso, CPA Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Miami Springs, Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

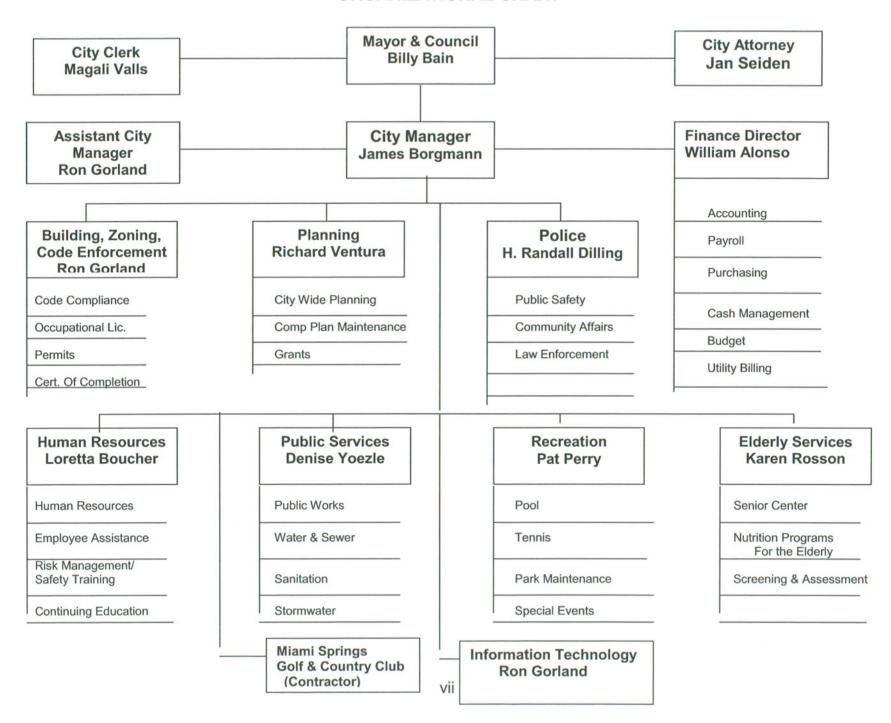
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

WIND OF THE CONTROL OF T

Manux L. Zielle President

Executive Director

CITY OF MIAMI SPRINGS ORGANIZATIONAL CHART



City of Miami Springs, Florida

Council-Manager Form of Government

SEPTEMBER 30, 2005

CITY COUNCIL

MayorBilly BainCouncil MemberZavier GarciaCouncil MemberRob YoungsCouncil MemberPaul DotsonCouncil MemberBob Best

ADMINISTRATION

City Manager Jim Borgmann **Assistant City Manager** Ron Gorland William Alonso **Finance Director City Attorney** Jan Seiden, Esq. City Clerk Magali Valls City Planner Richard Ventura **Police Chief** H. Randall Dilling **Human Resources** Loretta Boucher **Chief Building Official Edwin Reed Public Works Director Denise Yoezle Social Services Director** Karen Rosson Parks & Recreation Director Pat Perry

External Auditors Caballero & Castellanos, P.L.



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council City of Miami Springs, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miami Springs, Florida (the City) as of and for the fiscal year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miami Springs, Florida as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 22, 2005 on our consideration of the City's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor and Members of the City Council City of Miami Springs, Florida

The Management's Discussion and Analysis and the Budgetary Comparison Schedules, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Miami Springs's Florida, basic financial statements. The introductory section, combining nonmajor fund financial statements, schedules of funding progress and employer contributions and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of City of Miami Springs, Florida. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, schedules of funding progress and employer contributions and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Caballero & Castellanos, P.L.

November 22, 2005 Miami, Florida



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Miami Springs, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended September 30, 2005. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, (the City's financial statements and the other required supplemental information).

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole.

This is the third year that the City has reported its financial statements in a government-wide format using the GASB Statement Number 34 reporting model. Fund-based financial reporting and government-wide financial reporting are not viewed as being in conflict; however, they are not comparable. Since government-wide comparative information is available this year, a more significant portion of the analysis will focus on the changes in the government-wide statements, while still providing information on the City's fund-based comparative information.

FINANCIAL HIGHLIGHTS

- The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by \$20 million (net assets). Of this amount, \$3 million (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$696,213 from \$19,279,298 in FY2004 to \$19,976,211 in FY2005. The increase was mainly attributable to current year operations. For current year operations, net assets of our business-type activities increased by \$45,083, while the net assets of our governmental activities increased by \$651,830.
- During the year, the City had expenses that were \$651,830 less than the \$15.1 million generated in tax and other revenues for governmental programs.
- The business type activities for the City recognized \$6.8 million in revenues against \$7.5 million in expenses that resulted in a \$700,000 decrease in net assets before transfers.
- Total cost of all of the City's programs increased by \$1.8 million with no new programs added this year.
- The General Fund's fund balance increased by \$125,885 for the year ended September 30, 2005, this increase was a result of current year operations.
- At the end of the current year, unreserved fund balance for the General Fund was \$2.5 million, or 22 percent of total general fund expenditures and operating transfers
- The City's total debt decreased by \$634,687 or 4 percent with no debt issued during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information and an additional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts
 of the City government, reporting the City's operations in more detail than the
 government-wide statements.
- The governmental funds statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the stormwater operations, the solid waste, and water and wastewater systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required information which supplementary explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which is added together and presented in single columns in the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Miami Springs's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Miami Springs is improving or deteriorating.

Required Components of City's Annual Financial Report Management's Rasic Required Supplementary Financial Discussion Information Statements Analysis notes Government-wide Fund Financial Financial to the Statements Financial Statements

Figure A-1

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the City of Miami Springs include public works, parks and recreation, police, and general administration services. The business-type activities of City include the water and sewer, solid waste system, and storm-water systems.

The government-wide financial statements can be found on pages 20 to 21 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Miami Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Miami Springs can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Miami Springs maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Golf Course, Hurricane and Law Enforcement Special Revenue Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison statements have been provided for the General Fund and all other major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 22 to 25 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, sanitation, and stormwater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer, solid waste, and stormwater operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 26 to 28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 to 48 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 49 to 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found beginning on page 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the Statement of Net Assets summary presentation as reflected below:

- 1) Net results of activities will impact (increase/decrease) current assets and unrestricted net assets.
- 2) Borrowing for capital will increase current assets and long-term debt.
- 3) Spending borrowed proceeds on new capital will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.
- 4) Spending of non-borrowed current assets on new capital will reduce current assets and increase capital assets and will reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 5) **Principal payment on debt** will reduce current assets and reduce long-term debt and reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 6) Reduction of capital assets through depreciation will reduce capital assets and invested in capital asset, net of debt.

The City's combined net assets increased to \$19.9 million between fiscal years 2004 and 2005(see Table 1). Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge.

Governmental Activities

Net assets for the City's governmental activities increased by \$650,000 or 3.8% to \$16.5 million this increase is attributable to current year operations.

The largest portion of the City's governmental net assets (72 percent) is restricted as to the purpose they can be used for and are classified as invested in capital assets (land, buildings, streets, sidewalks, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's governmental net assets (\$1.9 million or 12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2.7 million) may be used to meet government's ongoing obligations to citizens and creditors.

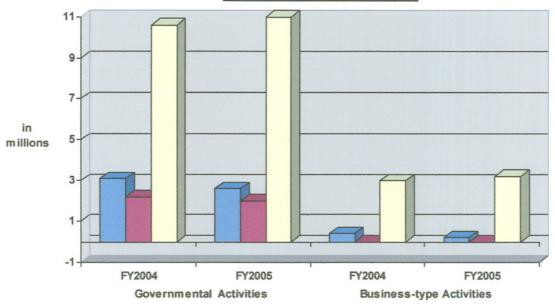
Table 1
City of Miami Spring's Net Assets
(in millions of dollars)

	Govern		Busines Activ		To	tal	Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Current and other assets	\$ 6.4	\$ 7.1	\$ 1.8	\$1.6	\$ 8.2	\$ 8.7	6.1%
Capital assets	15.7	15.7	13.1	13.0	28.8	28.7	(0.3)%
Total assets	22.1	22.8	14.9	14.6	37.0	37.4	1.1%
Long-term debt outstanding	5.1	4.8	10.2	9.9	15.3	14.7	(3.9)%
Other liabilities	1.1	1.5	1.3	1.3	2.4	2.8	16.7%
Total liabilities	6.2	6.3	11.5	11.2	17.7	17.5	(1.1)%
Net assets Invested in capital assets,							
Net of related debt	10.6	11.9	3.0	3.2	13.6	15.1	11.0%
Restricted	2.2	1.9	-	-	2.2	1.9	(10.0)%
Unrestricted	3.1	2.7	.4	.2	3.5	2.9	(20.0)%
Total net assets	\$ 15.9	\$ 16.5	\$ 3.4	\$3.4	\$ 19.3	\$19.9	3.1%

At the end of the current fiscal year, the City of Miami Springs is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Figure A-2

NET ASSETS COMPARISON



■ Unrestricted ■ Restricted □ Invested in assets net of debt

Business-type Activities

For FY 2005, there was a decrease of approximately \$200,000 in unrestricted net assets reported in connection with the City's business-type activities. Total net assets of the business-type activities reported a small increase of \$48,000 from the prior year.

Summary of Changes in net assets. The following information is presented to assist the reader in understanding the different types of normal impacts that can affect revenues:

- Economic condition can reflect a declining, stable or growing environment and has a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- 2) The City Commission has significant authority to set *increases or decreases in City's* rates (water and sewer, stormwater, sanitation, permitting, user fees, etc.).
- 3) Changing patterns in intergovernmental and grant revenues (both recurring and non-recurring) can significantly change and impact the annual comparisons.
- 4) **Market impacts on investment income** may cause investment revenues to fluctuate from the prior year.

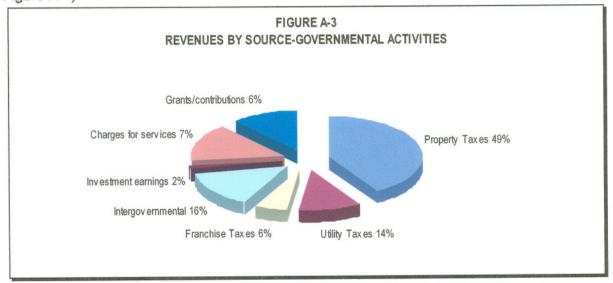
Some other basic impacts on expenses are reflected below:

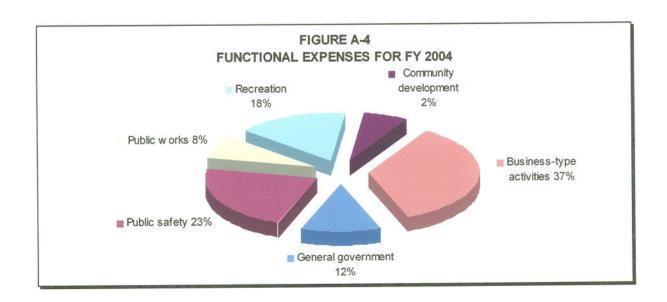
- Introduction of new programs can have a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- Changes in service demand levels can cause the City to increase or decrease authorized staffing. Staffing costs (salary and related benefits) represent 70% of the City's operating costs.

- 3) Salary increases such as cost of living, performance increases and market adjustments can impact personal service costs.
- 4) While inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals, supplies, fuels and parts. Some functional expenses may experience unusual commodity specific increases.

The City's total net assets increased by \$600,000 or 3.1 percent during the current fiscal-year. This increase represents the degree to which increases in ongoing revenues have outpaced increases in ongoing expenses.

The City's total revenues increased by 6.9 percent to \$21.8 million (see Table 2). Nearly one half of the City's revenues come from property taxes, and 69 cents of every dollar raised comes from some type of tax (see Figure A-3). Another 7 % comes from fees charged for services, and most of the rest is federal, state and local aid. The total cost of all programs and services increased by \$1.7 million or 8.8 percent (see Table 2). The City's expenses cover a range of services, with about 60% related to public safety and business-type activities (see Figure A-4).





Governmental Activities

Revenues for the City's governmental activities increased 9.5 percent (from \$13.7 million to \$15 million), while the expenses increased 9.7 percent (\$12.4 million to \$13.6 million). The increase in net assets for governmental activities was expanded to \$650,000 in 2005. This compares to a \$1.0 million increase in 2004. The functional activities that had expense increases compared to last fiscal year were: general government (increased by \$100,000), public safety (increased by \$300,000), and community development (increased by \$1.0 million due significant costs incurred for hurricane cleanup and repair costs). Compared to last year, the expenses for physical environment and culture and recreation decreased by \$100,000 respectively, as a result of vacant positions in the Public Works and Parks and Recreation Departments.

Table 2
Changes in City of Miami Spring's Net Assets
(in millions of dollars)

	Governmental Activities		Busines		Tot	Total Percentage Change	
	2004	2005	2004	2005	2004	2005	2004-2005
Revenues							
Program revenues							
Charges for services Operating	\$ 2.6	\$ 2.2	\$ 6.7	\$6.8	\$ 9.3	\$9.0	(3.2)%
grants/contributions	.5	2.5			.5	2.5	400.0%
General revenues							
Property taxes	6.0	6.4			6.0	6.4	6.7%
Franchise taxes	.8	.8			.8	.8	- %
Utility taxes	1.6	1.6			1.6	1.6	- %
Investment income	.2	.3			.2	.3	50.0%
Intergovernmental	2.0	1.3			2.0	1.3	(35.0)%
Total revenues	13.7	15.0	6.7	6.8	20.4	21.8	6.9%
Expenses							
General government	2.3	2.4			2.3	2.4	4.4%
Public safety	4.4	4.7			4.4	4.7	6.8%
Public works	1.7	1.6	7.0	7.5	8.7	8.6	(1.2)%
Community							
development	.3	1.3			.3	1.3	433.0%
Parks and recreation	3.5	3.4			3.5	3.4	2.9%
Interest on long-debt	.2	.2			.2	.2	- %
Total expenses	12.4	13.6	7.0	7.5	19.4	21.1	8.8%
Excess (deficiency)							
before transfers	1.3	1.4	(.3)	(.7)	1.0	0.7	30.0%
Transfers	(.3)	(.7)	.3	.7			%
Increase (decrease) in	, /						
net assets	\$ 1.0	\$0.7	\$0.0	\$0.0	\$1.0	\$0.7	30.0%

Note: Totals may not add due to rounding.

The City's management took major actions this year to maintain current revenues and to control expenses.

In fiscal year 2005, the City's millage rate was 8.1436 (which was the same millage rate for FY2004). The City's total revenue sources were \$400,900 more than the final budgeted revenues of \$10.6 million. The City's total expenditures were less than budgeted by \$639,143 due to staff vacancies and unused departmental expenditures.

Table 3 presents the cost of each of the City's five largest services—public safety, general government, recreation and social services, public works, and community development—as well as each service's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these services.

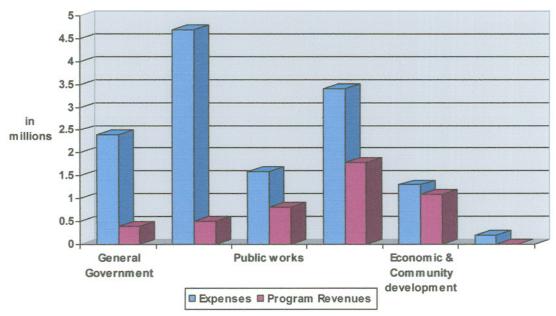
- The total cost of all *governmental* activities this year was \$13.6 million. Some of that cost was financed by:
 - > Those who directly benefited from the programs through charges for services (\$2.2 million), or
 - > Other governments and organizations that subsidized certain programs from operating grants and contributions (\$2.5 million).
- The City financed the remaining \$8.9 million "public benefit" portion of governmental activities with \$6.4 million in taxes, and with other revenues such as interest and unrestricted state aid.

Table 3
Net Cost of City's Governmental Activities
(in millions of dollars)

	Total Cost of Services		Percentage Change	Net Co Servi		Percentage Change
	2004	2005	2004-2005	2004	2005	2004-2005
Public safety	\$ 4.4	4.7	6.8%	\$ 4.0	\$ 4.2	5.0%
Recreation/social services	3.5	3.4	(2.9)%	1.5	1.6	6.7%
Public works	1.7	1.6	(5.9)%	1.7	.8	(52.9)%
General government	2.3	2.4	4.4%	1.8	2.0	11.1%
Community development	.3	1.3	76.9%	.0	.2	100.0%
Interest on long term debt	.2	.2	0.0%	.2	.2	0.0%
Total	\$12.4	\$13.6	8.9%	\$ 9.2	\$9.0	(2.2)%

Figure A-5

Expenses & Program Revenues-Governmental Activities
For the Fiscal Year Ended September 30, 2005



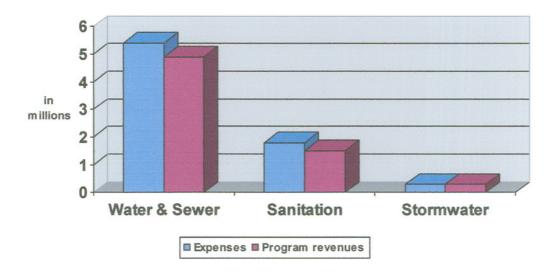
Business-type Activities

Revenues of the City's business-type activities increased 1.9 percent to \$6.8 million and expenses increased 7 percent to \$7.5 million (see Table 2). Factors contributing to these results included:

- Water and sewer operating expenses increased by \$428,280 or 10.2 percent due to various factors, one of which was the discovery of a significant infiltration and inflow problem with the City's sewer infrastructure system. The City has dedicated a significant amount of funds in FY 2005 and FY 2006 for TV work in order to identify major problem areas within the system. The results of these tests revealed various problem areas that have been or are in the process of being sleeved. The Water and Sewer Fund reported a loss before transfers of \$144,930 for FY2005 or \$353,413 less than the \$208,483 income reported in FY2004. The General Fund provided an operating transfer of \$450,000 in FY2005 in order to subsidize this loss.
- For the third consecutive year, the City's Sanitation Fund reported an operating loss. The Sanitation Fund has recorded losses from operations of \$430,000 over the past three fiscal years (\$182,000 in FY 2005 and \$124,000 for FY2003 and FY2004). The General Fund provided an operating transfer of \$275,000 in FY2005 in order to subsidize these losses. The City has experienced increased dumping fees over the past four years, however sanitation fees paid by residents has remained unchanged since FY2001.

Figure A-6

Expenses & Program Revenues-Business-type Activities
For the fiscal Year Ended September 30, 2005



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported combined fund balances of \$5.5 million, or an increase of \$.3 million compared to last year's combined fund balances of \$5.2 million. Included in this year's total change in fund balances is a \$1.7 million excess of revenues over expenditures in the City's General Fund. The primary reasons for the General Fund's excess mirror those highlighted in the analysis of governmental activities.

The General Fund

The General fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2.5 million, as compared with \$2.7 million in the prior year. Reserved fund balance increased slightly from \$202,000 in the prior year to \$484,000 for the current fiscal year, this increase was mainly due to encumbrances relating to ongoing projects which had not been completed at year end.

The amount of General Fund revenue by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

During FY 2005, the City incurred approximately \$210,000 in un-reimbursed hurricane clean up costs from Hurricane Katrina as well as approximately \$500,000 in costs related to the new addition at the golf course clubhouse. These expenditures were fully funded through operating transfers from the General Fund. The General Fund also provided \$725,000 in operating transfers to the Water and Sewer and Sanitation Funds to cover operating deficits for the fiscal year.

Table 4
General Fund Revenues (in millions)

Revenue Sources	2005 Amount	Percent of <u>Total</u>	2004 Amount	Percent of <u>Total</u>	Increase (Decrease) From 2004	Percentage Increase (Decrease)
Property taxes	\$6,040,426	54.7%	\$5,638,375	55.7%	\$402,051	7.1%
Franchise fees	797,020	7.2%	747,491	7.4%	49,529	6.6%
Utility taxes	892,535	8.1%	859,966	8.5%	32,569	3.8%
Communications services tax	685,399	6.2%	710,136	7.0%	(24,737)	-3.5%
Licenses and permits	358,741	3.3%	396,527	3.9%	(37,786)	-9.5%
Intergovernmental	1,562,218	14.2%	1,200,928	11.9%	361,290	30.1%
Charges for services	221,143	2.0%	227,864	2.3%	(6,721)	-2.9%
Fines and forfeitures	176,747	1.6%	170,547	1.7%	6,200	3.6%
Investment income	160,069	1.5%	35,287	0.3%	124,782	353.6%
Rental revenues	85,729	0.8%	72,416	0.7%	13,313	18.4%
Other revenues	55,501	0.5%	56,565	0.6%	(1,064)	-1.9%
Total revenues	\$11,035,528	100.0%	\$10,116,102	100.0%	\$919,426	9.1%

Compared to the prior year, total General Fund revenues increase by \$919,426 or 9.1% in fiscal year 2005. Property taxes accounted for the bulk of the increase. The \$402,051 or 7.1% increase in property tax revenue was due to increases in taxable property values.

Expenditures in the General Fund are shown in the schedule below:

Table 5
General Fund Expenditures (in millions)

Expenditures	2005 Amount	Percent of <u>Total</u>	2004 Amount	Percent of <u>Total</u>	Increase (Decrease) From 2004	Percentage Increase (Decrease)
General government services	\$2,059,002	22.1%	\$2,039,996	23.0%	\$19,006	0.9%
Public safety	4,627,084	49.7%	4,280,678	48.2%	346,406	8.1%
Public works	1,693,009	18.2%	1,681,754	18.9%	11,255	0.7%
Recreation and social services	937,962	10.1%	878,718	9.9%	59,244	6.7%
Total expenditures	\$9,317,057	100.0%	\$8,881,146	100.0%	\$435,911	4.9%

In fiscal year 2005, total General Fund expenditures increased by \$435,911 or 4.9% compared to the prior year. The bulk of the increase was due to a 3% cost of living wage increase per the terms of the union negotiated contract with the police officers. The increase in general government services and public works was due to cost of living increases for the City's general employees.

General Fund Budgetary Highlights

Over the course of the year, the City amended the General Fund budget three times. The budget amendments fall into two categories: (1) Amendments are approved for rollovers related to prior year encumbrances; and (2) supplemental appropriations to provide appropriations for various other needs which have arisen since the adoption of the budget. Even with these adjustments, actual disbursements were \$1.6 million below final budgeted amounts. The most significant contributor to this variance was a significant decrease of police service costs and various departmental savings due to staff vacancies and turnover.

The fiscal year 2005 amended final budget \$11,943,546 increased by 18.5 percent over the original General Fund budget of \$10,079.051. Correspondingly, the Consumer Price Index (or inflation index) from the U.S. Bureau of Labor Statistics – All Urban Consumers South Urban area for the past year was 3.3%. Beyond base revenues of \$10,288,824 and \$425,000 in operating transfers from the Enterprise Funds, the Adopted Budget is balanced without using fund balance. The original General Fund budget consists of \$9,823,775 base expenditures and \$244,276 in operating transfers to the other funds.

Differences between the original budget and the final amended budget increased appropriations by \$1,864,495 and can be briefly summarized as follows:

- ♦ \$132,426 in miscellaneous increases in general government activities
- Operating transfers of \$450,000 to the Water and Sewer Fund, and \$275,000 to the Sanitation Fund to cover operating losses. \$827,069 to the Golf Course Fund to cover operating losses and the cost of the new addition to the clubhouse, and \$180,000 to the Hurricane Fund to cover the City's share of non-reimbursable hurricane clean-up costs.

These increases were to be budgeted from available fund balance, however during the year expenditures were less than budgetary estimates, thus eliminating the need to draw upon the unreserved fund balance.

The difference between the estimated revenues and the actual revenues in the General Fund was approximately \$400,900 for FY 2005.

The difference between the appropriations and the actual expenditures in the General Fund was approximately \$639,143 for fiscal year 2005. These variances are explained below:

Cost reductions totaling \$216,260 in the public safety (police) budget resulting mainly from vacant positions during the fiscal year as well as lower than budgeted expenditures. In addition, various other departments realized approximately \$422,883 in cost reductions also resulting from vacant positions and lower than budgeted expenditures.

Other Major Governmental Funds

Golf Course Fund- Revenues for the City's golf course operations were \$1,418,661 or 15% lower than the \$1,668,506 reported in FY2004. The decrease in revenues was attributable to the elimination of banquet sales during the fiscal year. Expenditures for FY2005 were \$2,293,338 or 7.5% higher than the \$2,133,558 for FY2004, part of the reason for the increase in expenditures is due to the costs of the new addition at the golf course clubhouse. The Golf Course Fund had excess of expenditures over revenues of \$874,676 for the fiscal year ended September 30, 2005, this deficit was funded through an operating transfer from the General Fund of \$953,700. The fund balance increased by approximately \$79,000 during FY2005 mainly due to transfers from the General Fund.

<u>Law Enforcement Fund-</u> The Law Enforcement Fund is used to account for all forfeiture funds received from Federal, State and Local law enforcement agencies, these funds are restricted to law enforcement expenditures only. Revenues for FY2005 were \$314,298 compared to \$167,000 in FY2004. The increase was due to an increase in forfeiture funds being allotted to the City for the current fiscal year. The fund balance increased by \$55,900 to \$1,193,300 at the end of the fiscal year.

<u>Hurricane Fund</u>- The Hurricane Fund is used to account for all storm related expenditures which will be wholly or partly reimbursed by the Federal Emergency Management Agency (FEMA). The non-reimbursable expenditures are funded by the General Fund. Revenues for FY 2005 were \$1,092,037, expenditures were \$1,302,276. The General Fund provided an operating transfer of approximately \$210,000. The FY2005 expenditures were a result of Hurricane Katrina which resulted in significant clean up costs for our City. Due to the nature of this fund, there was no fund balance at fiscal year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets (See Table 6). The City of Miami Springs' investment in capital assets for its governmental and business type activities as of September 30, 2005 reported no change from the prior year as additions were offset by depreciation of capital assets. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, streets and median improvements, park facilities, and stormwater infrastructure.

Table 6
City of Miami Spring's Capital Assets
(net of depreciation, in millions of dollars)

		overn Actv	ities			Sines Actvi	ities		20	To:	-	005	Percentage Change 2004-2005
Land	\$	3.1	\$	3.1	\$	-	\$		\$	3.1	\$	3.1	0.0%
Buildings	Ψ	3.7	Ψ.	3.4	¥	0.0	Ψ.	0.0	•	3.7	•	3.4	(4.7)%
Improvements other than buildings		1.2		1.4		0.0		0.0		1.2		1.4	16.7%
Equipment		2.1		2.1		0.6		0.5		2.7		2.6	(10.4)%
Infrastructure		5.6		5.4		11.7		12.2		17.3		17.6	1.7%
Construction in progress		0.0		0.4		8.0		0.3		8.0		0.7	-12.5%
Total	\$	15.7	\$	15.8	\$	13.1	\$	13.0	\$	28.8	\$	28.8	0.0%

This year's major capital asset additions before depreciation for the governmental activities equaled \$1.2 million and includes the following:

- Several new vehicles were purchased and equipment was replaced throughout the City (computers, radios, maintenance equipment, etc.).
- Several projects were started during the year including the golf course clubhouse expansion and the new air conditioning system for City Hall.

The business-type activities reported \$760,000 in capital asset additions before depreciation mainly for ongoing improvements to the water and sewer infrastructure system as well as the purchase of miscellaneous equipment and replacement water meters. Additional information on the City's capital assets can be found in Note 5 on pages 38 to 40 of this report.

Long-term debt. At year-end the City had \$12.9 million in bonds outstanding— a decrease of 2.3 percent over last year— as shown in Table 7. The debt position of the City is summarized below and is more fully explained in Note 6 Long-Term Debt beginning on page 40.

Table 7
City of Miami Springs's Debt
(in millions of dollars)

	Governmental Actvities				В	usines Actvi				To	tal	Total Percentage Change		
	20	04	20	05	20	004	2	005	20	004	20	005	2004-2005	
General obligation bonds		4.0		3.8		0.0		0.0		4.0		3.8	-5.0%	
Revenue bonds		0.0		0.0		9.2		9.1		9.2		9.1	-1.1%	
Notes payable		0.0		0.0		8.0		1.0		0.8		1.0	25.0%	
Capital lease payable		0.2		0.1		0.2		0.0		0.4		0.1	-75.0%	
Total	\$	4.2	\$	3.9	\$	10.2	\$	10.1	\$	14.4	\$	14.0	-2.8%	

Economic Factors and Next Year's Budgets and Ratios

The City recognizes the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. The City is aggressively pursuing various avenues of economic development and revitalization within the City as well as studying the possibility of annexation of areas west and south of the City which have a significant commercial base.

The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, telecommunication, gasoline, utilities services, etc.) and fees (franchise, building permits, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

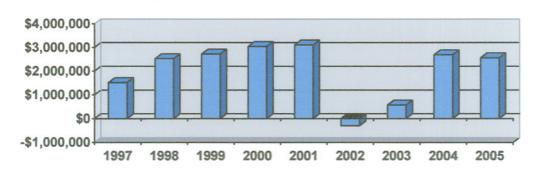
For the business-type and certain governmental activities (building inspections, recreational programs, etc.) the user pays a related fee or charge associated with the service.

Revenues in fiscal year 2006 adopted General Fund budget are \$12.2 million, an increase of 10.9 percent from the fiscal year 2005 total revenues of \$11 million. Property taxes (benefiting from the increases in assessed valuations) are expected to lead to this increase. The City will use these revenues to fund current services and the expected impact of inflation on salaries and benefits.

Figure A-7

General Fund Unrestricted Surplus (Deficit)

For the Fiscal Years ended September 30, 1996-2005



During the current fiscal year, unreserved fund balance in the general Fund was to \$2.6 million compared to \$2.7 million from last year. This \$2.6 million is approximately equal to 2.8 months of General Fund operating expenditures. The City, as can be seen at Figure A-7, is beginning to re-build its unrestricted fund balance, a portion of unrestricted fund balance will be used to preclude or moderate future tax and user fee increases.

In 1995, the state of Florida limited all local governments' ability to increase property taxable values in any given year to 3 percent or cost of living, whichever is lower. The following graph illustrates that the City has maintained a stable property tax rate for the past three years. For many years, the City, just like many cities across the country, had to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

The operating millage rate for calendar year 2005—collected in fiscal year 2006 is 7.9500 per thousand dollars of taxable value, and this marks the first time in over four years that the millage rate is under 8 mills. Overall, the adopted budget is an economical and prudent financial plan that will ensure quality public services and needed capital improvements for both today and in the future.

Figure A-8

Total City Millage

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2003

2004

■ Operating Millage ■ Debt Service Millage

2005

2006

2002

Fiscal year 2006 budgeted expenditures and transfers are expected to be \$11.9 million, or 15.5 percent, over fiscal year 2005. The largest increments are increased salaries and cost-of-living adjustments based on labor agreements with the police employees' unions, and increased operating transfers to the enterprise funds to fund projected operating losses. If estimates are realized, the City's budgetary General Fund balance is expected to increase modestly by the close of 2006.

Requests for Information

6.5

2001

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. The financial statements are available on the City's website at www.miamisprings-fl.gov. If you have questions about the report or need additional financial information, contact William Alonso, CPA, Finance Director, City of Miami Springs, 201 Westward Drive, Miami Springs, Florida 33166.



CITY OF MIAMI SPRINGS, FLORIDA

STATEMENT OF NET ASSETS SEPTEMBER 30, 2005

<u>ASSETS</u>	G	overnmental Activities		Business- Type <u>Activities</u>		<u>Total</u>
Cook and a wife in a solution of the solution of	•	4 557 450	•	000 004	•	
Cash and equity in pooled cash and investments	\$	4,557,152	\$	696,324	\$	5,253,476
Accounts receivable - net		1,694,038		770,021		2,464,060
Internal balances		285,031		(285,031)		-
Inventories		132,498		-		132,498
Deferred charges		35,396		-		35,396
Net pension asset		128,070		1-1		128,070
Other assets		172,790		1-1		172,790
Restricted assets:						
Cash and equity in pooled cash and investments		100,207		457,091		557,298
Capital assets:						
Land		3,085,904		-		3,085,904
Construction in progress		359,572		303,864		663,436
Building		5,588,398		-		5,588,398
Equipment		4,435,554		1,662,805		6,098,359
Improvements other than building		2,386,382		4,605,590		6,991,972
Infrastructure	_	15,108,859	_	20,038,790		35,147,648
Total capital assets		30,964,669		26,611,049		57,575,718
Less accumulated depreciation		(15,222,752)		(13,618,959)		(28,841,711)
Total capital assets - net		15,741,917		12,992,090		28,734,007
Total assets	\$	22,847,099	\$	14,630,495	\$	37,477,594
10101 00000	<u> </u>	22,047,000	Ψ_	14,000,400	Ψ_	01,411,004
LIABILITIES						
Accounts payable	\$	1,171,422	\$	759,776	\$	1,931,198
Accrued payroll		109,015		13,343		122,358
Accrued compensated absences		107,041		88,580		195,621
Customer deposits		24,025		457,092		481,117
Unearned revenue		63,886		23,290		87,176
Noncurrent liabilities:						
The amount due in one year		303,506		484,490		787,996
The amount due in more than one year		4,495,665		9,400,252		13,895,917
Total liabilities		6,274,559		11,226,824		17,501,383
NET ACCETO						
NET ASSETS						
Invested in capital assets, net of related debt		11,878,411		3,166,523		15,044,934
Restricted for:						
Law enforcement		1,102,239		-		1,102,239
Criminal Justice		26,311		-		26,311
Debt service		100,207				100,207
Roads and transportation		604,808		-		604,808
Senior Center		85,964		-		85,964
Unrestricted		2,774,600		237,148		3,011,748
Total net assets	\$	16,572,540	\$	3,403,671	\$	19,976,211

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2005

								Net (Expense)				
		Į.	Prog	<u>ram Revenue</u>				Changes in				
						Operating				Business-		
		_	(Charges for		Grants and	G	overnmental		Type		
F /		<u>Expenses</u>		<u>Services</u>	<u>C</u>	<u>ontributions</u>		<u>Activities</u>		<u>Activities</u>		Total
Functions/programs												
Governmental activities:	Φ	2 427 754	•	444 220	0		Φ	(2.046.E24)	Φ		C	(2.046.524)
General government	\$	2,427,754	Ф	411,220	Ф	200.042	\$	(2,016,534)	Ф	-	\$	(2,016,534)
Public safety		4,718,687		195,963		309,043		(4,213,682)		-		(4,213,682)
Public works Recreation and social services		1,641,432 3,400,530		1,593,315		810,250 225,376		(831,182) (1,581,839)		-		(831,182)
Economic and community development		1,302,276		1,595,515		1,092,037		(210,239)		-		(1,581,839) (210,239)
Interest on long-term debt		201,617		-		1,092,037		(201,617)		-		(210,239)
Total governmental activities		13,692,297		2,200,498		2,436,706		(9,055,093)		_		(9,055,093)

Business-type activities:												
Water & Sewer		5,412,035		4,946,231		-		-		(465,804)		(465,804)
Sanitation		1,825,670		1,546,219		-		-		(279,451)		(279,451)
Stormwater		258,494		280,667	_	26,513	_		_	48,686		48,686
Total business activities	_	7,496,199		6,773,117		26,513				(696,569)	_	(696,569)
Total	\$	21,188,496	\$	8,973,615	\$	2,463,218	\$	(9,055,093)	\$	(696,569)	\$	(9,751,662)
	Ge	neral revenue					•	0.040.400	•		•	
				evied for gene			\$	6,040,426	\$	-	\$	6,040,426
			es, le	evied for debt	ser	/ice		397,429		-		397,429
		Utility taxes			4-			1,577,934		-		1,577,934
				n gross receip				797,020		-		797,020
		Investment in		al (unrestricte	1)			1,299,449 179,288		13,698		1,299,449 192,986
		Miscellaneou		ile .				140,377		2,954		143,331
	Tra	ansfers	15					(725,000)		725,000		143,331
	110		ral re	evenues and t	rans	sfers	_	9,706,923	_	741,652		10,448,575
		Change in				50.5.0.5	_	651,830		45,083		696,913
	N	Net assets, Oc					_	15,920,710		3,358,588		19,279,298
							<u></u>		Φ.		Φ.	
	ľ	let assets, Se	pter	nber 30			Ф	16,572,540	\$	3,403,671	\$	19,976,211

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2005

			Maj	or Funds								
						Golf		Law	Go	Other	G	Total overnmental
		General		<u>Hurricane</u>		Course	E	nforcement		<u>Funds</u>		<u>Funds</u>
ASSETS												
Cash and equity in pooled cash												
and investments	S	2,251,121	S	30,239	S	89,299	S	1,195,364	\$	991,129	S	4,557,152
Accounts receivable - net	CER	451,536		1,082,646		1,273		-		158,584		1,694,038
Inventories		103,661		-		28,837				-		132,498
Due from other funds		387,449		-		_		-		-		387,449
Restricted assets:												
Cash and equity in pooled cash and investments		-		-		-		-		100,207		100,207
Deferred charges		35,396		-		-		-		10		35,396
Other assets		147,352				21,502		-		-		168,854
Total assets	\$	3,376,515	\$	1,112,885	\$	140,911	\$	1,195,364	\$	1,249,920	\$	7,075,595
LIABILITIES AND FUND BALANCES												
Accounts payable	\$	76,224	\$	1,010,467	\$	14,341	\$	2,066	\$	68,325	\$	1,171,422
Accrued payroll		90,048		-		15,584		-		3,383		109,015
Accrued compensated absences		107,041		-		-		-		-		107,041
Due to other funds		-		102,418		-		-		-		102,418
Escrow deposits		24,025		-		-		-		-		24,025
Deferred revenues	_	63,886	_	-				-		-		63,886
Total liabilities		361,223	_	1,112,885	_	29,925	_	2,066	_	71,708	_	1,577,806
FUND BALANCES												
Reserved for:												
Encumbrances		344,807		-		82,149		91,059		360,922		878,937
Inventories		103,661		-		28,837		-		-		132,498
Deferred charges		35,396		-		-		-		-		35,396
Debt service fund		-		(5)		-		-		100,207		100,207
Unreserved, reported in:		0.001.100										0.501.100
General fund, undesignated		2,531,428		-		-				-		2,531,428
Law Enforcement fund, undesignated		-		-		-		1,102,239		747.000		1,102,239
Special revenue funds, undesignated	_		_				_			717,083	_	717,083
Total fund balances	_	3,015,292	_		_	110,986	_	1,193,298	_	1,178,213	_	5,497,788
Total liabilities and fund balances	\$	3,376,515	\$	1,112,885	\$	140,911	\$	1,195,364	\$	1,249,920	\$	7,075,594

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS GOVERNMENTAL FUNDS SEPTEMBER 30, 2005

Fund balances - total government funds (Page 22)

\$ 5,497,788

Amounts reported for governmental activities in the statement of net assets are different as a result of:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets Less accumulated depreciation 30,964,669 (15,222,752)

Net pension asset

128,070

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable Capital leases Compensated absences \$ (3,770,000) (89,570) (935,665)

(4,795,235)

Net assets of governmental activities (Page 20)

\$ 16,572,540

CITY OF MIAMI SPRINGS, FLORIDA STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2005

		Major Funds				
			- "	20.000	Other	Total
	General	Hurricane	Golf Course	Law Enforcement	Governmental	Governmental
Revenues:	General	numcane	Course	Enforcement	Funds	<u>Funds</u>
Taxes and franchise fees	\$ 6,837,446	\$ -	\$ -	\$ -	\$ 396,268	\$ 7,233,713
Charges for services	221,143		1,418,086	-	-	1,639,229
Public service taxes	1,577,934	-	_	-	-	1,577,934
Intergovernmental	1,562,218	1,092,037	-	-	775,159	3,429,414
Licenses and permits	358,741	-	-	-	-	358,741
Fines and forfeitures	176,747	-	_	285,713	4,748	467,208
Interest	141,230	-	575	28,585	9,715	180,105
Miscellaneous	160,069	-	-	-	22,712	182,781
Total revenues	11,035,528	1,092,037	1,418,661	314,298	1,208,602	15,069,127
Expenditures:						
Current:						
General government	2,047,291	-	-	-	267,688	2,314,979
Public safety	4,375,136	-	-	120,456	-	4,495,592
Public works	1,590,456	-	-	-	-	1,590,456
Recreation and social services	888,229	-	1,795,128	-	290,035	2,973,392
Economic and community development	-	1,302,276	-	-	-	1,302,276
Debt service:						
Principal retirement	90,580	-	44,176	-	200,000	334,756
Interest and fiscal charges	5,133	-	191	-	196,293	201,617
Capital outlay:						
General government	28,145	-	-	-	309,682	337,827
Public safety	139,801	-	-	132,763	-	272,563
Public works	102,554	-	-	-	-	102,554
Recreation and social services	49,733		453,842		2,500	506,075
Total expenditures	9,317,058	1,302,276	2,293,338	253,219	1,266,197	14,432,088
Excess(deficiency) of revenues over expenditures	1,718,469	(210,239)	(874,676)	61,079	(57,596)	637,038
Other financing (uses) sources:						
Transfers in	425,000	210,239	953,699		133,780	1,722,718
Transfers out	(2,017,584)	210,200	-	(5,134)	100,700	(2,022,718)
Total other financing sources (uses)	(1,592,584)	210,239	953,699	(5,134)	133,780	(300,000)
		210,233				
Net change in fund balances	125,885		79,023	55,946	76,184	337,038
Fund balances - beginning	2,889,407	-	31,963	1,137,352	1,102,029	5,160,750
Fund balances - ending	\$ 3,015,292	\$ -	\$ 110,986	\$ 1,193,298	\$ 1,178,213	\$ 5,497,788

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2005

Amounts reported for governmental activities in the statement of activities are different as a result of:

	Net change in fund balances - total government funds (Page 24)		\$ 337,038
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
	Expenditures for capital outlays Less current year depreciation	\$ 1,219,019 (1,142,279)	76,740
	Net effect of various miscellaneous transactions involving fixed assets (ie:sales, trade-ins)		(96,705)
	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
	Principal payments		334,756
Cha	ange in net assets of governmental activities (Page 21)		\$ 651,830

STATEMENT OF NET ASSETS PROPRIETARY FUNDS SEPTEMBER 30, 2005

ASSETS Current assets:	Water & Sewer	Sanitation	Stormwater	Total
Cash and equity in pooled cash and investments	\$ -	\$ -	\$ 696,324	\$ 696,324
Due from other funds	-	-	119,503	119,503
Accounts receivable - net	527,787	151,378	90,856	770,021
Total current assets	527,787	151,378	906,682	1,585,848
Non-current assets: Restricted assets:				
Cash and equity in pooled cash and investments Capital assets:	457,091	-	-	457,091
Construction in progress - infrastructure	214,126	-	89,738	303,864
Equipment	378,655	1,092,679	191,471	1,662,805
Improvements other than building	1,709,319	-	2,896,271	4,605,590
Infrastructure	20,038,790			20,038,790
Total capital assets	22,340,890	1,092,679	3,177,480	26,611,049
Less accumulated depreciation	(11,694,239)	(758,421)	(1,166,299)	(13,618,959)
Total capital assets - net	10,646,651	334,258	2,011,181	12,992,090
Total noncurrent assets	11,103,742	334,258	2,011,181	13,449,181
Total assets	11,631,529	485,636	2,917,863	15,035,029
LIABILITIES				
Current liabilities:				
Accounts payable	702,286	51,050	6,442	759,776
Accrued liabilities	5,319	7,183	840	13,343
Due to other funds	285,031	119,503		404,534
Current portion of bonds payable	395,000	-	-	395,000
Current portion of notes payable	48,034	-	41,456	89,490
Unearned revenues	23,290	-	-	23,290
Customer deposits	457,091	-	- 400	457,091
Compensated absences	26,391	59,691	2,498	88,580
Total current liabilities	1,942,442	237,427	51,236	2,231,105
Non-current liabilities:				
Bonds payable	8,446,468	-	-	8,446,468
Notes payable	521,486	.=	373,122	894,608
Compensated absences	11,440	47,481	255	59,176
Total noncurrent liabilities	8,979,394	47,481	373,377	9,400,252
Total liabilities	10,921,836	284,908	424,613	11,631,357
NET ASSETS				
Invested in capital assets, net of related debt	1,235,663	334,258	1,596,603	3,166,523
Unrestricted(deficit)	(525,970)	(133,530)	896,647	237,148
Total net assets	\$ 709,693	\$ 200,728	\$ 2,493,250	\$ 3,403,671

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND TYPES FISCAL YEAR ENDED SEPTEMBER 30, 2005

Business-type Activities - Enterprise Funds

Operating revenues	Wa	ater & Sewer	5	Sanitation	5	Stormwater		Total
Operating revenues: Charges for services Total operating revenues	\$	4,946,231 4,946,231	\$	1,546,219 1,546,219	\$	280,667 280,667	\$	6,773,117 6,773,117
Operating expenses: Administrative costs Operations and maintenance Water and disposal costs Depreciation and amortization Total operating expenses	_	549,741 465,802 2,972,480 657,650 4,645,672	_	696,939 230,858 701,660 98,497 1,727,954	_	62,728 49,169 - 128,598 240,494	_	1,309,408 745,828 3,674,139 884,744 6,614,120
Operating income (loss)	_	300,559	_	(181,735)	_	40,173	_	158,997
Nonoperating revenues (expenses):								
Interest income Interest expense and fees Misc income(expenses) Total nonoperating revenues (expenses)	_	7,919 (456,363) 2,954 (445,489)	_	(717) - (717)	_	5,779 - 26,513 32,292	_	13,698 (457,079) 29,467 (413,914)
Income (Loss) before transfers		(144,930)		(182,452)		72,465		(254,917)
Transfer from other funds Transfer to other funds	_	450,000 (310,000)	_	275,000 (97,000)	_	(18,000)	_	725,000 (425,000)
Change in net assets		(4,930)		(4,451)		54,465		45,083
Total net assets, October 1		714,623	_	205,180	_	2,438,785	_	3,358,588
Total net assets, September 30	\$	709,693	\$	200,728	\$	2,493,250	\$	3,403,671

STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Wa	ter & Sewer		siness-type Enterprise anitation	e Fu			Total
CASH FLOWS FROM OPERATING ACTIVITIES:	•	F 400 04F	•	4 040 470	œ.	105 007	•	7 104 501
Cash received from customers, governments and other funds	\$	5,406,015		1,643,179	\$	135,307 (69,787)	\$	7,184,501 (4,971,301)
Cash paid to suppliers		(3,735,141) (441,834)	(1,166,373) (497,094)		(53,302)		(992,231)
Cash paid to employees		1,229,040	_	(20,288)	_	12,218		1,220,970
Net cash provided by (used in) operating activities		1,229,040	_	(20,200)	_	12,210		1,220,970
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								100000000000000000000000000000000000000
Transfers from other funds		450,000		275,000		-		725,000
Transfers to other funds		(310,000)	_	(97,000)	_	(18,000)	_	(425,000)
Net cash (used in) provided by noncapital financing activities		140,000		178,000		(18,000)		300,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of fixed assets		(575,964)		-		(191,091)		(767,055)
Proceeds from notes payable		46,369		-		164,580		210,949
Principal retirements of capital debt		(370,933)		(176,387)		-		(547,320)
Interest paid on capital debt	_	(456,363)	_	(717)			_	(457,079)
Net cash used in capital and related financing activities		(1,356,891)	_	(177,104)	_	(26,511)	_	(1,560,505)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest and other income		10,873				32,292		43,165
Net cash provided by investing activities		10,873				32,292		43,165
NET (DECREASE) INCREASE IN POOLED CASH AND CASH EQUIVALENTS	-	23,023		(19,392)		(2)		3,630
POOLED CASH AND CASH EQUIVALENTS, OCTOBER 1		434,068		19,392		696,326		1,149,785
POOLED CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$	457,091	\$	-	\$	696,324	\$	1,153,415
POOLED CASH AND CASH EQUIVALENTS PER STATEMENT								
OF NET ASSETS								
Unrestricted	\$	-	\$	-	\$	696,324	\$	696,324
Restricted		457,091	·		_	-	_	457,091
TOTAL, SEPTEMBER 30	\$	457,091	\$	-	\$	696,324	\$	1,153,415
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:								
Operating income (loss)	\$	300,559	\$	(181,736)	\$	40,173	\$	158,996
Adjustments to reconcile operating income (loss) to net								
cash provided by(used in) operating activities:								
Depreciation and amortization		657,650		98,497		128,598		884,745
Change in assets and liabilities:								(105 700)
(Increase) in accounts receivable		(89,359)		(20,690)		(25,689)		(135,738)
(Increase) in due to other funds				(00 005)		(119,503)		(119,503)
Increase (decrease) in accounts payable and accrued liabilities		12,421		(22,365)		(8,726)		(18,670)
(Decrease) in accrued liabilities		(16,479)		(18,877)		(1,530)		(36,886) 404,534
Increase in due to other funds		285,031 86,454		119,503		5		86,454
Increase in customer deposits		5,514		5,380		(1,105)		9,789
Increase(decrease) in other liabilities		(12,751)		5,300		(1,100)		(12,751)
(Decrease) in deferred revenues	_	928,481		161,448	_	(27,955)	_	1,061,974
Total adjustments	•		6		6		0	1,220,970
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$	1,229,040	\$	(20,288)	\$	12,218	\$	1,220,970



NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Miami Springs, Florida (the "City") is a political subdivision of the State of Florida located in Miami-Dade County. The City operates under a Council-Manager form of government. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed City Manager. The City provides public safety, general government, recreation and public works services to its residents. The City does not provide educational, fire or hospital facilities. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively. The accompanying financial statements present the City for the fiscal year ended September 30, 2005.

The criteria for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. At September 30, 2005, the City had no entities that met the definition for inclusion as a blended or discretely presented component unit.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The city-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *law enforcement fund* accounts for the resources accumulated from the sale of forfeited property as well as federal grants, all proceeds are to be used for law enforcement purposes only.

The *hurricane fund* is used to account for FEMA funds received and the expenditures related thereto resulting from hurricane and tropical storm clean up and restoration.

The *golf course fund* accounts for the operations of the City of Miami Springs Golf Course and Country Club.

The government reports the following major proprietary funds:

The water and sewer fund accounts for the provision of potable water to residents and the corresponding sewage disposal, which is processed by Miami-Dade County. The City operates the water treatment facility, water distribution system, sewage transportation pipelines, and sewage pumping stations.

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The *sanitation fund* accounts for the operations of solid waste collection services, which are funded through user charges.

The **stormwater fund** accounts for the infrastructure and operations of stormwater transportation, which is funded through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise fund functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water & sewer, sanitation, and stormwater fund, are charges to customers for services.

The water & sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is City policy to use restricted resources first, and then unrestricted resources as needed.

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City maintains a pooled cash account for all funds. This enables the City to invest large amounts of idle cash for short periods of time and to optimize earnings potential.

D. Deposits and Investments (Continued)

The City's investments are reported at fair value. The City's investment in the State Board of Administration Investment Pool (2A-7 pool) is reported at its fair value of its position in the pool, which is the same as its value of the pool shares.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Operating revenues in the Water and Sewer Enterprise Fund are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the fiscal year that have not been read by September 30 are accrued based on meter readings for the applicable consumption period and billed in October.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Uncollectible accounts receivable allowances are based on historical trends.

F. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Miami Dade County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters, which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the City is established by the City Council and the Miami-Dade County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2005 was 8.1436 mills (\$8.1436 per \$1,000 of taxable assessed valuation). In addition, for the year ended September 30, 2005, the City assessed a debt service levy millage rate of .5079 (\$0.5079 per \$1,000 of taxable assessed valuation).

G. Inventories and Prepaid Costs

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Restricted Assets

Certain assets of the debt service fund have been classified as restricted because their use is restricted by a bond indenture agreement for the City's debt service requirements.

The balances of the restricted asset accounts in the enterprise funds' is comprised of \$457,091 which represents customer deposits placed with the City for utility services.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	Years
Buildings	50
Improvements	20-30
Buildings Improvements Public domain infrastructure System infrastructure	40
System infrastructure	50
Furniture and equipment	5-10

J. Unearned Revenues

Unearned revenues include amounts collected before revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable, but not yet available. The unearned items consist primarily of license and permit revenues.

K. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department, which the employee serves.

It is the City's sick leave policy to permit employees to accumulate earned but unused sick pay benefits.

The City's vacation policy is that earned vacation must be taken within one year of the employee's anniversary date, as there is no carryover from one period to another. Unused vacation pay, if any, is paid with the employee's termination or retirement.

The liability for these compensated absences is recorded as a long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are amortized over the term of the related debt. For proprietary fund types, bonds payable are reported net of the applicable bond premium, discount, and issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The description of each reserve indicates the purpose for which each is intended. Designations of fund balance represent tentative management plans that are subject to change.

Unreserved, undesignated fund balance is the portion of fund equity available for any lawful use.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables, the realization of pension obligations and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

O. New accounting standards adopted

During the year ended September 30, 2005, the City adopted Governmental Accounting Standards Board (GASB) Statement 40, "Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)".

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City has no material violations of finance-related legal and contractual obligations.

Fund Accounting Requirements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, bond covenants, and segregation for management purposes.

Revenue Restrictions

The City has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

Revenue Source	Legal Restrictions of Use
Gas Tax	Roads, sidewalks, streets
Transportation Tax	Transportation and roads
Nutrition Program for the Elderly	Grant Program Expenditures
Department of Health & Human Services	Grant Program Expenditures
Federal Forfeitures	Law Enforcement
Federal Emergency Management Agency	Disaster mitigation

For the year ended September 30, 2005, the City complied, in all material respects, with these revenue restrictions.

Excesses of expenditures over appropriations

For the year ended September 30, 2005, expenditures exceeded appropriations in the City Manager, Finance, and Other-unclassified departments (the legal level of budgetary control) of the General Fund by \$1,433, \$7,009 and \$28,231 respectively; in the Law Enforcement Special Revenue Fund by \$60,100; and in the Debt Service Fund by \$1,775. These overexpenditures were funded by greater than anticipated revenues in the case of the General Fund and the Law Enforcement Fund and by available fund balance in the case of the Debt Service Fund.

3. DEPOSITS AND INVESTMENTS

The City, for accounting and investment purposes, maintains a cash and investment pool for use by all City funds. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. Each fund's portion of this pool is displayed on the balance sheets as cash and equity in pooled cash and investments. Income earned on pooled cash and investments is allocated to the respective funds based on relative month-end balances.

In addition, cash and investments are separately held by the City's Enterprise Funds and related investment income is recorded in these funds.

The City's investment policy is governed by local ordinances, resolutions and bond covenants. Allowable investments include United States government obligations, guaranteed United States agency short-term issues, the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool, Florida bank certificates of deposit, and investments authorized by City Council.

As of September 30, 2005, the City had the following investments:

		Weighed
		Average
		Maturity
Investment Type	Fair Value	(Days)
Certificates of Deposit	\$3,557,558	132
State Board of Administration	\$1,689,816	1
Total Fair Value	\$5,247,373	
Portfolio weighed average maturity		90

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighed average monthly maturity of its investment portfolio to less than six months (180 days). At September 30, 2005 the portfolio weighed average maturity was 90 days.

Credit Risk — The City's investments in the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool (which has the characteristics of a Money Market Fund) are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. Additionally, these investments are entirely collaterized and insured by the State. The City invested throughout the year in the SBA Investment Pool. The SBA is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2A-7 fund. All SBA funds reported by the City are reported at fair value consistent with the valuation similar to a 2A-7 pool. No credit rating is available for this investment.

Concentration of Credit Risk – The City's investment policy places no limit on the amount that may be invested in Certificates of Deposits (CD's) placed with public depositories or funds placed with the SBA. At September 30, 2005, all of the City's investments were in CD's and the SBA.

3. **DEPOSITS AND INVESTMENTS** (CONTINUED)

Custodial credit risk (deposits) - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All of the City's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The book value of the City's deposits on the balance sheet date was \$549,030. The bank balance of the City's deposits as of September 30, 2005 was \$1,201,600.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment. The City's investments in the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool (which has the characteristics of a Money Market Fund) are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. Additionally, these investments are entirely collateralized and insured by the State of Florida.

A reconciliation of deposits and investments as shown on the balance sheet and the statement of net assets is as follows:

Per Statement of Net As	sets	By Category					
Cash and equity in pooled cash and investments	\$5,253,476	Cash	\$	14,371			
Restricted assets:		Deposits		549,030			
Cash and cash equivalents	557,298	Investments	5	,247,373			
	\$5,810,774		\$5	,810,774			

The City does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

4. RECEIVABLES AND PAYABLES

Receivables at year-end for the City's governmental funds, including the applicable allowance for uncollectible accounts, are as follows:

				Other	Total
	General	Hurricane	Golf	Governmental	Receivables
Governmental activities					
Accounts	\$ 72,786	\$ -	\$ -	\$ 386	\$ 73,172
Taxes	401,025	-	-	111,810	512,835
Other	9,999	1,082,646	1,273	46,388	1,140,306
Gross receivables	483,810	1,082,646	1,273	158,584	1,726,313
Less: Allow ance for Uncollectible	es (32,274)	<u> </u>	_	-	(32,274)
Net total receivables	\$ 451,536	\$ 1,082,646	\$ 1,273	\$ 158,584	\$1,694,038

4. RECEIVABLES AND PAYABLES (CONTINUED)

Receivables at year-end for the City's business-type activities, including the applicable allowance for uncollectible accounts, are as follows:

	Water & Sewer	Sanitation	Stormwater	<u>Totals</u>
Accounts Less: Allowance for Uncollectibles	\$674,885 (147,098)	\$207,731 (56,353)	\$120,258 (29,402)	\$1,002,874 (232,853)
Net total receivables	\$527,787	\$151,378	\$ 90,856	\$770,021

Governmental funds report *deferred revenues* for receivables on revenues considered to be not yet available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition on revenues received but not yet earned. On September 30, 2005, *deferred revenue* and unearned revenue in the governmental funds amounted to \$63,886, which had been paid in advance for FY 2005-06 occupational licenses.

Revenues of the Water and Sewer, Sanitation and Stormwater funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to water sales and sewer charges	\$	147,098
Uncollectibles related to solid waste fees		56,353
Uncollectibles related to stormwater fees		29,402
Total uncollectibles of the current fiscal year	5	\$ 232,853

Payables at September 30, 2005 were as follows:

	<u>Vendors</u>
Governmental activities: General Golf course Law enforcement Hurricane Nonmajor funds Total governmental activities	\$ 76,224 14,341 2,066 1,010,467 <u>68,324</u> <u>\$1,171,422</u>
Business-type activities: Water & sewer Sanitation Stormwater Total business-type activities	\$702,284 51,050 <u>6,442</u> <u>\$759,776</u>

CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2005 was as follows

• Transfers of \$544,583 in business-type activities, represents construction projects completed during FY 2005.

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2005 was as follows:

				Balance
	Balance			September,
	October 1, 2004	<u>Additions</u>	<u>Deletions</u>	30 2005
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 3,076,080	\$ 9,824	\$ -	\$ 3,085,904
Construction in progress	29,750	329,822		359,572
Total capital assets not being depreciated	3,105,830	339,646		3,445,476
Capital assets being depreciated:				
Building	5,588,398	-	-	5,588,398
Infrastructure	14,963,444	145,415	-	15,108,859
Improvements other than buildings	2,366,611	19,771	-	2,386,382
Machinery and equipment	3,860,222	675,389	(100,057)	4,435,554
Total capital assets being depreciated	26,778,675	840,575	(100,057)	27,519,193
Less accumulated depreciation for:				
Building	(1,921,739)	(302,476)	-	(2,224,215)
Infrastructure	(9,300,120)	(369,032)	-	(9,669,152)
Improvements other than buildings	(889,514)	(101,493)	-	(991,007)
Machinery and equipment	(2,039,207)	_(369,278)	70,107	(2,338,378)
Total accumulated depreciation	(14,150,580)	(1,142,279)	70,107	(15,222,752)
Total capital assets being depreciated, net	12,628,095	(301,704)	(29,950)	12,296,441
Governmental activities capital assets, net	\$ <u>15,733,925</u>	\$_37,942	\$ <u>(29,950)</u>	\$ <u>15,741,917</u>

					Balance
	Balance				September,
	October 1, 2004	Additions	Deletions	Transfers*	30 2005
Business-type activities					
Capital assets not being depreciated					
Construction in progress	\$ 798,856	\$ 49,591	\$ -	\$ (544,583)	\$ 303,864
Total capital assets not being depreciated	798,856	49,591		(544,583)	303,864
Capital assets being depreciated:					
Infrastructure	23,433,588	666,210	-	544,583	24,644,380
Machinery and equipment	1,621,273	43,732	(2,200)		1,662,805
Total capital assets being depreciated	25,054,861	709,942	(2,200)	544,583	26,307,185
Less accumulated depreciation for:					
Building	-	-	-	-	-
Infrastructure	(11,713,748)	(734,862)	-	-	(12,448,614)
Machinery and equipment	(1,030,185)	(142,362)	(2,200)		_(1,170,346)
Total accumulated depreciation	(12,743,936)	(877,224)	(2,200)		(13,618,960)
Total capital assets being depreciated, net	12,310,925	(167,282)		544,583	12,688,225
Business activities capital assets, net	\$ <u>13,109,781</u>	\$ <u>(117,691)</u>	\$	\$	\$ <u>12,992,090</u>

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the City as follows:

General government	\$ 441,070
Public Safety	223,095
Public works	50,976
Recreation and social services	427,137
Total depreciation expense – governmental activities	\$1,142,279
Business- type activities	
Water & Sewer	\$ 650,128
Sanitation	98,497
Stormwater	128,598
Total depreciation expense – business- type activities	\$ 877,223

Construction Commitments

The City of Miami Springs has active construction projects as of September 30, 2005. The projects include repairs to the City's water and sewer infrastructure system, addition to the clubhouse at the golf course, basin 14 stormwater project, and the new air conditioning system for city hall. At year-end, the City's commitments with contractors are as follows:

		Remaining
Project	Spent-to-Date	Commitment
Wetward/Apache	\$ 205,800	\$179,400
Basin 14	90,000	\$998,000
Golf Course addition	216,768	95,870
SCADA Project	186,200	35,500
City Hall Air Conditioning	_19,500	252.400
Total	\$718,268	\$1,561,170

6. LONG-TERM DEBT

FDOT Note Payable

On October 1, 2002, the City signed a non-interest bearing promissory note (the "Note") with the Florida Department of Transportation (the "FDOT") in the amount of \$1,239,390 for the cost of relocating water and sewer utility lines located in the FDOT's right of way related to the "Lejeune Flyover Project". Under the terms of the note, the City is required to make 180 monthly payments of \$6,885 beginning on October 2002. However, if the total project costs upon completion are lower or greater than the original amount of the note, a new promissory note would be executed for the final project costs less payments made by the City as of the date of project completion. On February 1, 2005, a new non-interest bearing promissory note was signed by the City in the amount of \$608,428.54. Under the terms of the new note, the City is required to make 151 monthly installments of \$4,002.80 beginning February 1, 2005. Interest was imputed on the note based on the City's borrowing rate which was calculated to be approximately 5%.

LONG-TERM DEBT (CONTINUED)

Miami-Dade County Loan Payable

During fiscal year 2003, Miami Dade County (the "County") commenced a canal dredging project which was to be paid by various municipalities based on a local match responsibility allocation. During FY 2005, the County updated its cost estimates and the City's responsibility was determined to be \$414,578. Repayment terms were being negotiated with the County. As of September 30, 2005, negotiations were still ongoing for a repayment agreement.

General Obligation Bonds-Series 1997

On September 18, 1997, the City issued \$5,000,000 of General Obligation Bonds with interest rates ranging from 4.00% to 5.10%, which mature on February 1, 2013, for the purchase and renovation of the Miami Springs Golf Course and Country Club from the City of Miami. The bonds are secured by a debt service millage levy of .5079 mills.

Revenue Bonds

On May 1, 1998, the City issued \$11,435,000 in Utility Systems Revenue Refunding and Improvement Bonds with interest rates ranging from 3.75% to 4.85%, which mature on September 21, 2021, to advance refund \$7,515,000 of outstanding 1994 Series Refunding Bonds with interest rates ranging from 2.5% to 5%. The net proceeds of \$10,898,910 (after payment of \$426,193 in underwriting fees, insurance, and other costs) plus an additional \$844,590 from 1994 Series reserve fund monies were used to purchase allowable investments in the amount of \$7,506,914. The remaining bond proceeds of \$3,391,996 were used to purchase short-term allowable investments to be utilized for the acquiring, construction, renovating, installing and equipping additions and improvements to the collection and transmission facilities of the sewer system. The \$7,506,914 in securities was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the water & sewer fund. During September 2004, the outstanding amount of the insubstance defeased debt had been called and paid off.

In addition, unamortized costs from the 1994 Series bonds of approximately \$600,000 have been recorded as part of the net bonds payable at September 30, 1998 and are being amortized over the remaining life of the Series 1994 bonds using the effective interest method. At September 30, 2005 the net unamortized costs from the 1994 Series Bonds is approximately \$248,532. The refunding did not result in an economic gain or loss.

Debt service requirements to maturity for the fiscal year ending September 30 are summarized as follows:

	Revenue	Bonds	General Oblig	gation Bonds	Tota	<u>I</u>
	Principal	Interest	Principal	Interest	Principal	<u>Interest</u>
2006	395,000	440,050	210,000	186,860	605,000	626,910
2007	410,000	422,670	220,000	176,808	630,000	599,478
2008	430,000	404,425	230,000	166,175	660,000	570,600
2009	450,000	385,075	245,000	154,771	695,000	539,846
2010	470,000	364,825	255,000	142,519	725,000	507,344
2011-2015	2,705,000	1,470,290	1,500,000	497,876	4,205,000	1,968,166
2016-2020	3,435,000	720,750	1,110,000	90,365	4,545,000	821,115
2021	795,000	39,750			795,000	39,750
	9,090,000	4,257,835	3,770,000	1,415,374	12,860,000	5,673,209
Net unamortized	120000222					
Costs	(248,532)	- 			(248,532)	
Total, net	\$8,841,468	\$ <u>4,257,835</u>	\$ <u>3,770,000</u>	\$ <u>1,415,374</u>	\$ <u>12,611,468</u>	\$5,673,209

6. **LONG-TERM DEBT** (CONTINUED)

At September 30, 2005 and for the period then ended, the City had complied with the provisions of its bond indenture agreements.

Long-term liability activity for the year ended September 30, 2005 was as follows:

Governmental Activities	October 1 2004	Additions	Reductions	September 30, 2005	Due within One Year
Bonds and notes payable: General obligation debt Capital leases Total bonds and notes payable	\$3,970,000 <u>234,847</u> <u>4,204,847</u>	\$ - 	\$(200,000) (141,341) (341,341)	\$ 3,770,000 93,506 3,863,506	\$210,000 <u>93,506</u> 303,506
Other liabilities: Compensated absences Governmental activity long-term liabilities	901,125 \$5,105,971	262,281 \$262,281	(227,742) \$(569,083)	935,665 \$4,799,171	\$303,506
Business-type activities Bonds and notes payable: Sewer refunding bond Capital leases Note payable State of Florida Note payable Miami-Dade County Less deferred amounts for issuance discounts Total bonds and notes payable	\$ 9,465,000 176,390 577,739 250,000 (307,185) 10,161,943	\$ - 51,346 164,578 - 215,924	\$(375,000) (176,390) (59,564) - 	\$ 9,090,000 - 569,520 414,578 (248,532) 9,825,566	\$395,000 - 48,034 41,456 - 484,490
Other liabilities: Compensated absences Business-type activities Long-term liabilities	50,685 \$10,212,630	<u>\$215,924</u>	(8,491) \$(561,792)	59,176 \$ 9,884,742	<u>-</u> \$484,490

LEASES

Capital Leases

On July 16, 2003, the City entered into a lease agreement, with a local financial institution, as lessee for financing the acquisition of computer equipment for city-wide use. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The gross amount of equipment leased and capitalized under this lease was approximately \$272,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005, were as follows:

Year ending September 30,

2006 \$ 95	,713
Total minimum lease payments 95	,713
Less: amount representing interest	
Interest (1.57% APR) (2.2	208)
Present value of minimum	
Lease payments \$93	,505

LEASES (CONTINUED)

Capital assets acquired through the issuance of capital leases are as follows:

	Governmental
	Activities
Machinery and equipment	\$272,000
Less: Accumulated depreciation	(68,000)
•	\$204,000

Operating Leases

The City leases equipment for its Golf Course Fund under non-cancelable operating leases. Total costs for such leases were \$51,778 for the fiscal year ended September 30, 2005. The City also leases office equipment under non-cancelable operating leases. Total costs for such leases were \$32,196 for the fiscal year ended September 30, 2005.

The future minimum lease payments are as follows:

September 30,	
2006	\$ 68,993
2007	30,841
2008	2,664
Total	\$102,498

Year ending

8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2005 and the amount of interfund transfers for the fiscal year ended September 30, 2005 are as follows:

	Interfund Receivable*	Interfund Payable*	Transfers <u>In**</u>	Transfers Out**
General	\$ 387,449	\$ -	\$ 425,004	\$ 2,017,584
Law Enforcement Fund	-	-	-	5,134
Police Grants	-	-	5,134	-
Golf Course Fund	-	-	953,699	-
Hurricane Fund	-	102,418	210,239	-
Non-major governmental	-	-	128,646	-
Enterprise Funds	-	285,031	725,000	425,004
Total	\$ 387,449	\$ 387,449	\$2,447,722	\$2,447,722

^{*}The balance of \$387,449 due to the general fund results from loans to the Hurricane Fund of \$102,418 pending receipt of FEMA reimbursement, and \$285,031 to the water and sewer fund which will be repaid from collection of receivables.

 \$128,646 was transferred from the General fund to the Senior Center fund to meet the City's matching requirements of certain grant agreements awarded to the Senior Center

^{**}Transfers in/out during the fiscal year are as follows:

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

- \$953,699 was transferred from the General fund to the Golf Course fund to cover excess
 of expenditures over revenues in the Golf Course operation
- \$275,000 was transferred from the General fund to the Sanitation Fund to cover operating losses for the fiscal year.
- \$310,004 was transferred from the Water & Sewer Fund, \$18,000 from the Stormwater Fund, and 97,000 from the Sanitation fund to the General fund as administrative charges.
- \$210,239 was transferred from the General fund to the Hurricane Fund to cover the City's matching portion of non-reimbursable hurricane costs
- \$5,134 was transferred from the Law Enforcement Trust fund to the Police Grants fund to cover the matching portion of grants awarded

9. EMPLOYEE RETIREMENT PLANS

(1) Plan Description

The City contributes to two single employer defined benefit pension plans: General Employees' Plan and the Police and Firefighters' Plan. Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The Pension Boards' of each retirement plan are authorized to establish and amend benefit provisions. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing the City of Miami Springs, 201 Westward Drive, Miami Springs, Florida 33166.

(2) Funding Policy

General Employees

The pension board establishes the required employee contribution and the City is required to contribute the amount in excess of employee contributions to cover the annual pension cost. City employee members are required to contribute 5% of their annual covered salary, the City's contribution is limited to 10% of compensation paid to participants during the year. The covered payroll for plan members for the year ended September 30, 2005 was approximately \$3,400,000. Annual contributions are actuarially determined as specified by the Retirement Ordinance as of October 1.

9. EMPLOYEE RETIREMENT PLANS (CONTINUED)

(2) Funding Policy (Continued)

Police and Firefighters

The regular member contribution for both bargaining unit employees and non-bargaining unit managerial employees in that capacity after September 27, 1993 rate is 9% of earnings. If the combined City and Member contributions required for a year are less than 14% of covered payroll, the difference under 14% shall be rounded to the nearest .1% of budgeted payroll. The resulting difference shall be divided in two, with plan members reducing their contribution rates by half the difference, and the City reducing its contribution by the remaining half for that fiscal year. However, if the combined City and member contributions for any one fiscal year exceed 18% of the budgeted payroll for police officers, the excess rate over 18% will be divided by two with plan members paying half of the excess and the City paying the other half for that fiscal year. Annual contributions are actuarially determined as specified by the Retirement Ordinance as of October 1.

(3) Annual Pension Cost and Net Pension Asset

General Employees

The City's annual pension cost and net pension asset to the General Employees Retirement System for the years ended September 30, 2005 was as follows:

Annual required contribution	\$(42,827)
Interest on net pension asset	5,432
Adjustment to annual required contribution	(9,640)
Annual pension cost	(47,035)
Contributions made	42,827
(Decrease) in net pension asset	(4,208)
Net pension asset, beginning of year	67,900
Net pension asset, end of year	\$63,692

The annual required contribution for the current year was determined based on an October 1, 2004 actuarial valuation date using the aggregate actuarial cost method. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases ranging from 6%. Both (i) and (ii) include an inflation component of 4%. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

		% of Annual	
		Pension Cost	
Fiscal Year	Annual Pension	Contribution	Net Pension
Ended	Cost (APC)	(APC)	Asset
9/30/02	5,147	-0-	73,236
9/30/03	5,336	-0-	67,900
9/30/04	47,035	91.1	63,692

9. **EMPLOYEE RETIREMENT PLANS** (CONTINUED)

(3) Annual Pension Cost and Net Pension Asset (Continued)

Police & Firefighters

The City's Annual Pension Cost and net pension asset to the Police & Firefighters' Plan for the years ended September 30, 2005 were as follows:

Annual required contribution	\$51,555
Interest on net pension asset	(5,128)
Adjustment to annual required contribution	7,073
Annual pension cost	53,500
Contributions made	53,772
Increase in net pension asset	272
Net pension asset, beginning of year	64,106
Net pension asset, end of year	\$64,378

The annual required contribution for the current year was determined based on an October 1, 2004 actuarial valuation date using the aggregate actuarial cost method. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases ranging from 6%. Both (i) and (ii) include an inflation component of 4%. The assumptions did not include post-retirement benefit increases. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information					
		% of Annual			
		Pension Cost			
Fiscal Year	Annual Pension	Contribution	Net Pension		
Ended	Cost (APC)	(APC)	Asset		
9/30/02	44,916	114.2	60,712		
9/30/03	46,108	107.4	64,106		
9/30/04	53,500	100.5	64,378		

(4) DROP Plan

On October 8, 2001, the general Employees Retirement Plan adopted a Deferred Retirement Option Plan ("DROP") for participants who are eligible to receive normal retirement. Eligible members may participate by applying to the Board.

On February 9, 1998, the Police and Firefighters Pension Plan adopted a DROP for participants who are eligible to receive normal retirement and have either attained age 55 with ten years of continuous service, or have completed 25 years of service. Eligible members may participate by applying to the Board.

For Police & Firefighters', eligibility to participate shall be forfeited if not exercised within the first 29 years of service. However, participation will be permitted for those members with more than 27 years of service as of January 1, 1998.

9. **EMPLOYEE RETIREMENT PLANS** (CONTINUED)

(4) DROP Plan (Continued)

Upon a member's election to participate in the DROP, that member shall cease to be a member his or her respective Plan and shall be precluded from any additional benefits under the Plan; accordingly, that member shall be considered retired.

Monthly retirement benefits that would have been payable had the member retired and elected to receive monthly pension payments will be paid into the DROP and credited to the retired member. Payments into the DROP are made monthly for the period the retired member participates in the DROP, up to a maximum of 60 months.

Payments into the DROP will earn the same return as earned by the remainder of the Plan assets.

Upon termination of employment, participants in the DROP have the option of receiving the balance of their account either in a lump sum distribution or in any other form of payment selected by the participant, approved by the Board and conforming to applicable laws.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no reductions in insurance coverage from coverages in the prior year and there have been no claims settled which have exceeded insurance coverage for each of the past three years.

Liability Insurance

The public liability program is designed to cover all public liability type claims incurred, subject to the limitation established by the State of Florida Waiver of Sovereign Immunity Act. Insurance coverage is primarily provided by the Florida Municipal Liability Insurance Program supplemented by other policies and outside carriers. The City's deductible portion of liability claims and premiums paid to insurers are charged to the funds as incurred.

Workmen's Compensation

The City participates in Miami Dade County's self insured workmen's compensation program. Premiums are billed annually and are based on the City's claim history.

11. DEFINED CONTRIBUTION PLAN

The City of Miami Springs 401(a) Money Purchase Plan is a defined contribution plan established by the City to provide benefits at retirement for certain employees of upper management. At September 30, 2005, there were three plan members, the City Manager, Assistant City Manager and the Finance Director. The City is required to contribute on behalf of each participant 14.89% of earnings for the plan year. Participants are not permitted to make contributions. City contributions fully vest in the year they are contributed. Plan provisions and contribution requirements are established and may be amended by the City Council.

The plan assets are administered by ICMA Retirement Corp. Participants are mailed quarterly statements or can obtain daily account balances through the Internet. The City does not exercise any control over the plan assets. Contributions were approximately \$45,950 for the year ended September 30, 2005.

12. OTHER POST-EMPLOYMENT BENEFITS

The City provides certain healthcare and life insurance benefits for retired employees. All City employees that reach normal retirement age while working for the City are eligible for those benefits.

The cost of retiree healthcare benefits is the responsibility of the retirees, the cost of retiree life insurance benefits are the responsibility of the employee's pension plan.

13. COMMITMENTS AND CONTINGENCIES

Litigation

Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of legal counsel, the City has sufficient insurance coverage to cover any claims and/or liabilities, which may arise from such action. The effect of such losses would not materially affect the financial position of the City or the results of its operations.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the City's financial condition.

Contingencies

Subsequent to year-end, the City was notified by Federal Emergency Management Agency (FEMA) that it would not reimburse the City for approximately \$413,000 in costs related to hurricane debris removal. FEMA has indicated that the cubic yards billed by the City's contractor does not agree with the tonnage actually disposed. As such, FEMA has determined that they will not reimburse the City for this amount, and has commenced an investigation of the Contractor's billing methods. The contractor has demanded payment and the City is withholding payment until FEMA's investigation is completed. At this time the outcome of this matter is unknown.

14. FINANCIAL CONDITION

The City performed a financial condition assessment pursuant to Rule 10.566(8) of the Rules of the State of Florida Auditor General. This assessment is required to be performed by the City in order to assess its financial condition on an ongoing basis and if applicable, identify trends that could result in the City being in a Technical State of Financial Emergency. The results of performing the financial condition assessment disclosed that approximately 33% of the financial indicators had favorable results, 56% had inconclusive results, and 11% had unfavorable results. In addition the three critical indicators were rated inconclusive.

As a further indication of the strengthening of the City's financial condition, on December 20, 2004, the City was notified that its bond rating from Standard and Poor's was improved from a "BBB+ with a *negative* outlook" to "BBB+ with a *stable* outlook". The City continues to maintain an "investment-grade" rating of BBB+ however the outlook has been upgraded to "stable" based on the improvements achieved in the City's finances.

REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)

BUDGETARY COMPARISON SCHEDULE GENERAL FUND FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Budgeted	Amounts		
				Variance with
	Onininal	F:1	A -41	Final Budget
Revenues:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive/(Negative)
Taxes	\$ 6,095,916	\$ 6,095,916	\$ 6,040,426	\$ (55,491)
Charges for services	233,950	237,550	221,143	(16,407)
Public service taxes	2,260,000	2,260,000	2,374,954	114,954
Intergovernmental	1,104,658	1,429,463	1,562,218	132,755
Licenses and permits	343,900	343,900	358,741	14,841
Fines and forfeitures	132,000	132,000	176,747	44,747
Miscellaneous	100,400	117,798	141,230	23,431
Investment income	18,000	18,000	160,069	142,069
Total revenues	10,288,824	10,634,627	11,035,528	400,900
Expenditures:				
General government:	10.017	40.047	10.005	700
Council City Clerk	43,817 213,841	43,817 216,023	43,095 208,719	722
City Manager	336,655	360,725	362,159	7,304 (1,433)
City Attorney	103,000	103,000	101,757	1,243
Human Resources	198,417	203,352	171,255	32,097
Finance	645,277	646,365	653,374	(7,009)
Information Technology	345,989	345,989	336,951	9,038
Other-unclassified	187,161	153,462	181,693	(28,231)
Total general government	2,074,156	2,072,733	2,059,002	13,731
Public safety:				
Police	4,302,013	4,320,152	4,103,892	216,260
Planning	142,928	143,409	112,147	31,262
Building & Zoning	430,441	432,058	411,044	21,014
Total public safety	4,875,382	4,895,619	4,627,084	268,535
Public works:				
Administration	483,118	552,083	424,427	127,656
Streets & sidewalks	296,903	296,903	259,043	37,860
Properties	682,324	682,324	644,456	37,868
Building maintenance Fleet maintenance	282,803	282,803 120,054	202,581 162,503	80,222
Total public works	120,054 1,865,202	1,934,167	1,693,009	(42,449) 241,157
M 1670 - 10 - 10	1,000,202	1,334,107	1,093,009	241,107
Recreation:	ECO 27E	607.000	E42 022	00.700
Administration Aquatics	562,375 250,436	607,022 250,436	543,232 217,258	63,790 33,177
Tennis	52,966	52,966	42,795	10,170
Park maintenance	143,259	143,259	134,677	8,583
Total recreation	1,009,035	1,053,682	937,962	115,720
Total expenditures	9,823,775	9,956,201	9,317,058	639,143
Excess(deficiency) of revenues				
over (under) expenditures	465,049	678,426	1,718,469	(238,242)
Other financing sources (uses):				
Transfers in	425,000	425,000	425,000	
Transfers out	(255,276)		(2,017,584)	
Total other financing sources (uses)	169,724	(1,562,345)	(1,592,584)	30,239
Net change in fund balance	634,773	(883,919)	125,885	(1,009,804)
Fund balances, October 1	2,889,407	2,889,407	2,889,407	
Fund balances, September 30	\$ 3,524,180	\$ 2,005,488	\$ 3,015,292	\$ (1,009,804)

BUDGETARY COMPARISON SCHEDULE LAW ENFORCEMENT FUND FISCAL YEAR ENDED SEPTEMBER 30, 2005

		Budgeted Amounts					Variance with Final Budget Positive	
Revenues:		<u>Original</u>		<u>Final</u>		<u>Actual</u>	<u>(N</u>	legative)
Fines and forfeitures Investment income Total revenues	\$	105,038	\$	193,119	\$	285,713 28,585 314,298	\$	92,594 28,585 121,179
Expenditures: Education and training Capital outlay Total expenditures	_	101,038 4,000 105,038		102,000 91,119 193,119		120,456 132,763 253,219	_	(18,456) (41,644) (60,100)
Excess (deficiency) of revenues over (under) expenditures Other financing uses Transfers out			_			61,079	_	61,079
Total other financing uses	-		_		_	(5,134) (5,134)		5,134 5,134
Net change in fund balance		-	3	-		55,946		(55,946)
Fund balances, October 1	0.000	1,137,352	_	1,137,352	_	1,137,352	_	
Fund balances, September 30	\$	1,137,352	\$	1,137,352	\$	1,193,298	\$	55,946

BUDGETARY COMPARISON SCHEDULE GOLF COURSE FUND FISCAL YEAR ENDED SEPTEMBER 30, 2005

		Budgeted	An	nounts			٧	/ariance vith Final Budget
_		Original		<u>Final</u>		Actual		Positive <u>Negative)</u>
Revenues: Charges for services Total revenues	\$	1,552,000 1,552,000	\$	1,602,276 1,602,276	\$	1,418,661 1,418,661	\$	(183,615) (183,615)
Expenditures:								
Recreation and culture		1,673,630		1,840,975		1,839,496		1,479
Capital outlay	_	5,000	_	715,000		453,842		261,158
Total expenditures	_	1,678,630	_	2,555,975		2,293,338	_	262,637
Deficiency of revenues over expenditures		(126,630)	_	(953,699)		(874,676)	_	79,023
Other financing sources								
Transfers in		126,630	_	953,699		953,699		-
Total other financing sources		126,630	_	953,699	_	953,699		
Net change in fund balance		-		-		79,023		(79,023)
Fund balances, October 1		22,014	_	22,014		31,963	_	9,949
Fund balances, September 30	\$	22,014	\$	22,014	\$	110,986	\$	88,972

NOTE TO BUDGETARY COMPARISON SCHEDULE FISCAL YEAR ENDED SEPTEMBER 30, 2005

A. Budgetary Information

The following procedures are used to establish the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States.

- 1. Prior to July 30 of each year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing such expenditures.
- 2. Public hearings are held to obtain taxpayer comments.
- 3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- 4. The level of control at which expenditures may not exceed budget is at the departmental level. The City Commission approves these levels by annual resolution. The City Manager is authorized to transfer budgeted amounts within individual departments; any revisions that alter the total expenditures of any appropriation center within a fund must be approved by the City Commission.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be re-appropriated and honored during the subsequent year.

Appropriations lapse at year end, except for grants and shared revenues from other governmental units which do not lapse at year-end and are only reported to the extent of revenues recognized, and expenditures incurred for the current year. Individual amendments were not material in relation to the original adopted budget.

The final budget includes budget transfers and supplemental appropriations, which have the effect of adjusting the original adopted budget. General Fund supplemental appropriations amounted to \$1.6 million for the fiscal year ended September 30, 2005 and consists primarily of the roll-forward of encumbrances from FY 2004 as well as increases in transfers to other funds.

For the year ended September 30, 2005, expenditures exceeded appropriations in the City Manager, Finance, and Other-unclassified departments (the legal level of budgetary control) of the General Fund by \$1,433, \$7,009 and \$28,231 respectively; in the Law Enforcement Special Revenue Fund by \$60,100, and in Debt Service Fund by \$1,775. These overexpenditures were funded by greater than anticipated revenues in the case of the General Fund and the Law Enforcement Fund and by available fund balance in the case of the Debt Service Fund.

CITY OF MIAMI SPRINGS, FLORIDA EMPLOYEES' AND POLICE & FIREFIGHTERS' PLANS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS (Unaudited)

General Employees' Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As % of Covered Payroll
	(a)	(b)	(b)-(a)	(b)/(a)	(c)	((b)-(a))/(c)
10/1/99	9,646,613	7,308,588	(2,338,025)	132.0	2,863,379	(81.7)
10/1/00	10,780,335	8,273,005	(2,507,330)	130.3	3,069,479	(81.7)
10/1/01	11,671,813	9,132,700	(2,539,113)	127.8	2,987,599	(85.0)
10/1/02	11,845,208	9,776,521	(2,068,687)	121.2	3,222,834	(64.2)
10/1/03	12,040,035	10,265,029	(1,775,006)	117.3	3,262,260	(54.4)
10/1/04	12,194,853	10,766,920	(1,427,933)	113.3	3,160,625	(45.2)

Police & Firefighters' Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As % of Covered Payroll
	(a)	(b)	(b)-(a)	(b)/(a)	(c)	((b)-(a))/(c)
10/1/99	15,694,388	12,300,196	(3,394,192)	127.6	1,864,081	(182.1)
10/1/00	16,997,941	13,050,899	(3,947,042)	130.2%	1,762,503	(223.9)
10/1/01	18,066,619	13,696,960	(4,369,689)	131.9	1,784,871	(244.8)
10/1/02	18,220,141	14,386,889	(3,833,252)	126.6	1,975,547	(194.0)
10/1/03	18,524,225	15,064,523	(3,459,702)	123.0	2,150,827	(160.9)
10/1/04	18,785,109	16,705,557	(2,079,552)	112.4	2,129,336	(97.7)

CITY OF MIAMI SPRINGS, FLORIDA EMPLOYEES' AND POLICE & FIREFIGHTERS' PLANS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

General Employees' Pension Fund:

Fiscal <u>Year</u>	Annual Required <u>Contribution</u>	Percentage Contributed
9/30/99	97,357	102.3
9/30/00	103,440	100.4
9/30/01	789	6297.5
9/30/02	-0-	N/A
9/30/03	-0-	N/A
9/30/04	42,827	100.0

Police & Firefighters' Pension Fund:

Fiscal <u>Year</u>	Annual Required <u>Contribution</u>	Percentage Contributed
9/30/99	66,210	100.0
9/30/00	55,842	100.5
9/30/01	49,703	117.0
9/30/02	43,649	117.5
9/30/03	44,346	111.6
9/30/04	51,555	104.3



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for revenues from revenue sources which by law are designated to finance particular functions or activities of government.

Road and Transportation Fund. This fund is used to account for expenditures for transportation related improvements.

Senior Center Fund. This fund is used to account for the financial management of programs funded under Title III of the Older Americans Act.

Grants Fund. This fund is used to account for monies provided to the City from an outside agency, other than routine revenues, which are normally slated to accomplish a specific project or task. Grant funds can either be an entitlement to which the City is qualified to receive by virtue of its existence, or discretionary which the City must compete for.

Criminal Justice Fund. This fund is used to account for funds to educate and train local police officers.

Police Grants Fund. This fund is used to account for funds received by the City which are strictly designated for police related expenditures.

Debt Service Fund

General Obligation Debt Service Fund – to account for the accumulation of transfers from other funds and payment of principal and interest and fiscal charges on the City's general obligation bonds which are payable from ad valorem taxes.

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SEPTEMBER 30, 2005

									Del	ot Service		
ASSETS_	Road and Transportation	Ser <u>Cen</u>		<u>Grants</u>	Criminal Justice	Police Grants <u>Fund</u>	<u>Tota</u>	<u>al</u>		Seneral bligation <u>Bond</u>		Total Nonmajor overnmental <u>Funds</u>
Cash and equity in pooled cash and investments Accounts receivable - net Restricted assets:	\$ 875,265 111,810		69,714 \$ 2,868	20,447	\$ 25,703	\$ 3,906		1,129 3,584	\$	-	\$	991,129 158,584
Cash and equity in pooled cash and investments Total assets	\$ 987,075	\$ 1	2,581 \$	20,447	\$ 25,703	\$ 3,906	\$ 1,149	- 9,713	\$	100,207	\$	100,207 1,249,920
<u>LIABILITIES</u>												
Accounts payable Accrued payroll Total liabilities	\$ 47,946 		6,888 \$ 3,383 20,271	- - -	\$ 	\$ 3,491	3	3,325 3,383 1,708	\$		\$	68,325 3,383 71,708
FUND BALANCES	-											
Reserved for: Encumbrances Debt service fund	334,322		6,346	20,000	-	254	360),922		100,207		360,922 100,207
Unreserved: Undesignated	604,808	8	35,964	447	 25,703	 161	717	7,083			_	717,083
Total fund balances Total liabilities and	939,130	(2,310	20,447	25,703	415	1,078	3,005		100,207		1,178,213
fund balances	\$ 987,075	\$ 1	2,581 \$	20,447	\$ 25,703	\$ 3,906	\$ 1,149	9,713	\$	100,207	\$	1,249,920

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2005

													D	ebt Service		-
		load and		Senior Center		<u>Grants</u>		Criminal Justice		Police Grants <u>Fund</u>		<u>Total</u>		General Obligation <u>Bond</u>		Total Nonmajor overnmental <u>Funds</u>
Revenues: Taxes Intergovernmental Fines and forfeitures Interest Miscellaneous	\$	547,481 - 7,702	\$	207,703	\$	2		\$ - 4,748 847	\$	19,975 - 3 -	\$	775,159 4,748 8,554 22,712	\$	1,161	\$	396,268 775,159 4,748 9,715 22,712
Total revenues	_	555,183		230,415	_	2		5,594	_	19,978		811,173	_	397,429	_	1,208,602
Expenditures: Current: General government Recreation and social services Debt service: Principal retirement Interest and fiscal charges Capital outlay: General government Recreation and social services Total expenditures		238,399 - - - 306,584 - 544,983		290,035 - - - 2,500 292,535		:		5,941 - - - - - 5,941		21,598 - - - 3,098 - 24,696		265,938 290,035 - 309,682 2,500 602,217		1,750 - 200,000 196,293 - - 398,043		267,688 290,035 200,000 196,293 309,682 2,500 1,266,197
Excess (deficiency) of revenues over expenditures		10,200		(62,119)		2	 <u>-</u> -	(347)		(4,718)		(56,982)		(613)		(57,596)
Other financing (uses)sources Transfers in (out)		(20,000)	_	128,646	_	20,000) _	_		5,134		133,780	_	_	_	133,780
Total other financing (uses)sources		(20,000)		128,646	_	20,000) _	_		5,134		133,780				133,780
Net chainge in fund balance		(9,800)		66,527		20,002	2	(347)		415		76,797		(613)		76,184
Fund balances, October1		948,929		25,784	16/200	445	;	26,050		-	1,	001,208		100,821		1,102,029
Fund balances, September30	\$	939,130	\$	92,310	\$	20,447		\$ 25,703	\$	415	\$ 1,	078,005	\$	100,207	\$	1,178,213

SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCE-BUDGET AND ACTUAL DEBT SERVICE FUND FISCAL YEAR ENDED SEPTEMBER 30, 2005

		Budgeted Original	Amo	ounts Final		<u>Actual</u>	٧	/ariance vith Final Budget Positive Negative)
Revenues:	¢.	200 060	¢.	200 060	Φ.	206.260	¢.	(2,602)
Taxes	\$	398,960	\$	398,960	\$	396,268	\$	(2,692)
Total revenues	_	398,960		398,960	_	396,268		(2,692)
Expenditures Debt service:								
Principal retirement		190,000		190,000		200,000		(10,000)
Interest and fiscal charges		205,709		205,709		196,293		9,417
Administrative charges		559		559		1,750		(1,191)
Total expenditures	_	396,268		396,268	_	398,043		(1,775)
Net change in fund balance		2,692		2,692		(1,775)		(4,467)
Fund balances, October 1	_	100,821	_	100,821		100,821	_	
Fund balances, September 30	\$	103,513	\$	103,513	\$	100,208	\$	(3,305)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2005

Special Revenue Funds

				Special Revenu	e Funds			
		Road and Tran	sportation Fun	d		Senior Center	fund	
	Budgeted	d Amounts	Actual	Variance with Final Budget Positive	Budgete	ed Amounts	Actual	Variance with Final Budget Positive
	Original	<u>Final</u>	<u>Amounts</u>	(Negative)	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	(Negative)
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$	- \$ -	\$ -	\$ -
Intergovernmental	795,683	581,866	547,481	(34,385)	144,384		207,703	54,469
Miscellaneous			7,700	7,700	11,000	11,000	22,712	11,712
Total revenues	795,683	581,866	555,181	(26,685)	155,384	164,234	230,415	66,181
Expenditures:								
Current:								
General government	470,683	259,000	238,399	20,601			-	-
Recreation and social services	-	-	-	-	283,630	290,380	290,035	345
Capital outlay:				-				0.0
General government	325,000	322,866	306,584	16,282	1		-	-
Recreation and social services	-	-	-	-	400	2,500	2,500	-
Total expenditures	795,683	581,866	544,983	36,883	284,030	292,880	292,535	345
Excess (deficiency) of revenues								
over expenditures			10,198	10,198	(128,646	(128,646)	(62,119)	66,527
Other financing sources (uses)								
Transfers in	-	-	-	-	128,646	128,646	128,646	-
Total other financing sources (uses)		_	-		128,646	128,646	128,646	_
Net change in fund balance			10,198	10,198			66,527	66,527
Fund balances, October1	948,929	948,929	948,929		25,784	25,784	25,784	
Fund balances, September30	\$ 948,929	\$ 948,929	\$ 959,128	\$ 10,198	\$ 25,784	\$ 25,784	\$ 92,310	\$ 66,527

STATISTICAL SECTION (SUPPLEMENTAL DATA)

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS (1)

	Pr	ogram Revenue	s	General Revenues								
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Utility Taxes	Franchise Fees	Inter- Governmental	Investment Income	Miscellaneous	Total		
2003	9,130,910	713,947	-	5,619,633	1,603,090	657,367	1,773,722	64,179	221,207	19,784,055		
2004	9,359,714	545,430		6,031,710	1,570,102	747,491	1,989,053	63,406	116,331	20,423,237		
2005	-	15,584		-	2,066	-		-	91,059	108,709		

⁽¹⁾ Information for fiscal years ending September 30, 1995-2002 are unavailable in this format

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (1)

			Governmental	Activities			Busin				
Fiscal Year	General Government	Public Safety	Public Works	Recreation and Social Services	Economic & Community Development	Interest on long term debt	Water & Sewer Services	Sanitation Services	Stormwater Services	Golf Course Services	Total
2003	1,978,127	4,383,608	1,820,796	1,307,295	448,085	213,463	4,866,356	1,738,210	233,223	2,345,375	19,334,538
2004	2,276,618	4,415,911	1,657,463	3,496,884	315,083	218,302	5,039,059	1,774,754	234,406	(2)	19,428,480
2005	2	2,251,121	451,536	103,661	387,449		3,376,515	-	-	(2)	6,570,282

⁽¹⁾ Information for fiscal years ending September 30, 1995-2002 are unavailable in this format

⁽²⁾ The Golf Course Fund was reclassified to a governmental activity in FY2004

GENERAL GOVERNMENTAL REVENUES BY SOURCE LAST TEN FISCAL YEARS (*)

Fiscal Year	Taxes	Licenses and Permits	Utility Taxes	Inter- Governmental	Charges for Services	Fines and Forfeitures	Interest	Miscellaneous	Total
1996	3,335,410	382,800		998,617	269,957	185,704	106,063	55,047	5,333,598
1997	3,428,889	442,316	-	994,908	230,906	190,325	141,286	111,001	5,539,631
1998	3,550,445	495,800	-	1,041,652	222,028	191,978	119,602	65,934	5,687,439
1999	3,593,494	372,971		1,044,169	222,127	236,447	99,994	98,811	5,668,013
2000	4,008,871	397,977		1,104,679	218,598	205,608	175,049	65,383	6,176,165
2001	4,252,226	329,869	-	1,110,573	249,045	228,281	147,642	207,149	6,524,785
2002	4,895,579	414,845	-	1,116,831	269,213	236,873	37,856	79,718	7,050,915
2003	5,941,308	359,674	1,603,090	1,142,268	276,164	103,764	23,893	140,865	9,591,026
2004	6,385,866	396,527	1,570,102	1,200,928	227,864	170,547	35,287	128,981	10,116,102
2005	-	-	-	-	-	-	-1	-	-

^(*) General Fund Only

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS (*)

Fiscal Year	General Government	Public Safety	Public Works	Recreation and Culture	Non- Departmental and Capital Outlay	Total
1996	1,090,532	3,252,915	1,183,603	850,520	521,790	6,899,360
1997	1,218,916	3,507,996	1,142,522	796,484	234,581	6,900,499
1998	1,031,496	3,631,211	1,320,299	760,635	68,243	6,811,884
1999	1,170,764	3,686,148	1,400,152	810,038	230,570	7,297,672
2000	1,139,880	3,935,295	1,306,267	743,645	525,564	7,650,651
2001	1,200,515	4,052,125	1,413,852	866,281	436,777	7,969,550
2002	1,366,659	4,184,342	1,573,400	977,316	606,010	8,707,727
2003	1,437,897	4,055,225	1,757,668	896,420	564,854	8,712,064
2004	1,621,551	4,131,263	1,592,576	872,307	663,449	8,881,146
2005	2,012,079	4,514,937	1,693,009	937,962	159,071	9,317,058

^(*) General Fund Only

PROPERTY TAX RATES LAST TEN FISCAL YEARS

	Cit	y		County			Special [Districts		
Fiscal Year	<u>City</u> Wide	Debt Service	County- Wide	<u>Debt</u> Service	Fire	MDCC	Library	School	State	Total Property Tax Rate
1996	6.700	0.000	6.828	0.829	2.518	-	0.329	10.389	0.687	28.280
1997	6.700	0.000	6.469	0.774	2.745	-	0.339	10.366	0.710	28.103
1998	6.950	0.891	6.023	0.837	2.864	-	0.334	10.260	0.644	28.803
1999	7.450	0.848	5.809	0.816	2.752	-	0.321	9.744	0.641	28.381
2000	7.450	0.588	5.751	0.652	2.752	-	0.351	9.717	0.638	27.899
2001	7.750	0.662	5.713	0.552	2.752	-	0.451	9.376	0.736	27.992
2002	8.150	0.594	5.889	0.390	2.661	-	0.486	9.252	0.736	28.158
2003	8.144	0.543	6.469	0.285	2.661	-	0.486	9.100	0.736	28.424
2004	8.144	0.508	6.379	0.285	2.661	-	0.486	8.687	0.736	27.886
2005	7.900	0.442	6.264	0.285	2.661	-	0.486	8.438	0.736	27.211

Additional information:

Property tax rates are assessed per \$1,000 of Taxable Assessed Valuation

Tax rate limits:

 City
 10.000 Mills

 County
 10.000 Mills

 School
 10.000 Mills

 State
 10.000 Mills

Source: Miami-Dade County

Department of Property Appraisal

PROPERTY TAX LEVIES AND COLLECTION LAST TEN FISCAL YEARS

Fiscal Year	Total Adjusted Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections Tax Levy
1996	3,315,000	3,222,080	97.2%	113,330	3,335,410	100.6%
1997	3,412,532	3,293,225	96.5%	135,664	3,428,889	100.5%
1998	3,834,771	3,466,732	90.4%	93,712	3,560,444	92.8%
1999	3,685,761	3,524,806	95.6%	55,586	3,580,392	97.1%
2000	4,139,585	3,831,268	92.6%	177,603	4,008,871	96.8%
2001	4,339,783	4,186,507	96.5%	65,719	4,252,226	98.0%
2002	4,743,838	4,862,560	102.5%	33,019	4,895,579	103.2%
2003	5,465,993	5,283,941	96.7%	25,913	5,309,854	97.1%
2004	5,825,961	5,613,699	96.4%	24,676	5,638,375	96.8%
2005	6,311,549	6,023,524	95.4%	16,902	6,040,426	95.7%

Note:

Total Adjusted Tax Levy is based on final assessed property values by Miami-Dade County Department of Property Appraisal office after the Property Appraisal Adjustment Board has completed hearings on the tax roll; and before discounts.

Discounts Allowed:

November	4%
December	3%
January	2%
February	1%
April	Taxes delinquent

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ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Centrally Assessed Property Value	Gross Assessed Property Value
1996	463,687,206	55,965,584	18,791	519,671,581
1997	479,115,252	56,835,834	19,039	535,970,125
1998	490,729,243	49,973,107	25,376	540,727,726
1999	506,468,957	56,524,713	25,054	563,018,724
2000	532,171,301	83,157,143	25,385	615,353,829
2001	570,033,667	74,263,104	27,632	644,324,403
2002	587,221,157	83,425,665	27,245	670,674,067
2003	635,661,868	82,765,913	27,050	718,454,831
2004	701,989,433	78,187,716	30,842	780,207,991
2005	837,874,438	76,241,492	162,538	914,278,468

Note:

- (1) Real, Personal, and Central Business District Property is assessed be the Miami-Dade County Department of Property Appraisal as of January 1 each tax year and is used in the following fiscal year ending September 30.
- (2) The basis of assessed values is approximately one hundred percent (100%) of actual Real, Personal and Central Business District Property values.
- (3) Gross Assessed Property Value is equal to the sum of Real Property, Personal Property and Property Centrally Assessed for operating purposes less any exemptions.

Sources:

Miami-Dade County

Department of Property Appraisal -DR-420

COMPUTATION OF DIRECT AND OVERLAPPING DEBT FISCAL YEAR ENDED SEPTEMBER 30, 2005

Jurisdiction	Net Debt Outstanding	Percentage Applicable to Miami Springs	Amount Applicable to Miami Springs
City of Miami Springs	13,937,604	100.0%	13,937,604
Miami-Dade County Schools (1)	1,160,289,001	0.7%	8,122,023
Miami-Dade County (2)	221,553,560	0.7%	1,550,875

Note: The "Net Debt Outstanding" for the Miami-Dade County School System for this report represents the total debt confirmed by the organization's comptroller.

Sources: (1) Miami-Dade County Schools, General Finance Department

(2) Miami-Dade County, Finance Department (includes General Obligation, Special Obligation Bonds)

RATIO OF NET GENERAL BONDED DEBT TO TAXABLE ASSESSED VALUE AND NET BONDED DEBT PER CAPITA/ PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES

Last Ten Fiscal Years (unaudited)

Fiscal Year	Population (2)	Total Assessed Value	Gross Bonded Debt (1)	Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Assessed Value	Net Bonded Debt Per Capita	Principal	Interest	Total Debt Service	Total General Expenditures	Percentage of Debt Service to Total General Expenditures
1996	13,281	519,671,581	-	-			-	-			6,899,360	
1997	13,284	535,970,125						-			6,900,499	
1998	13,287	540,727,726	5,000,000	-	5,000,000	0.009	376.31	-	224,352	224,352	6,811,884	3.29%
1999	13,290	563,018,724	4,845,000	(62,652)	4,907,652	0.009	369.27	155,000	241,648	396,648	7,297,672	5.44%
2000	13,295	615,353,829	4,685,000	(115,822)	4,800,822	0.008	361.10	160,000	235,268	395,268	7,650,651	5.17%
2001	13,712	644,324,403	4,520,000	(165,678)	4,685,678	0.007	341.72	165,000	228,523	393,523	7,969,550	4.94%
2002	13,901	670,674,067	4,345,000	(171,636)	4,516,636	0.007	324.91	175,000	221,295	396,295	8,707,727	4.55%
2003	13,725	718,454,831	4,160,000	(104,690)	4,264,690	0.006	310.72	185,000	213,463	398,463	8,712,064	4.57%

0.005

0.004

296.60

280.80

190,000

200,000

205,118

196,293

395,118

396,293

8,881,146

4.45%

#DIV/0!

2005 Notes:

2004

13,725

13,783

(100,821)

(100, 207)

4,070,821

3,870,207

3,970,000

3,770,000

780,207,991

903,707,712

⁽¹⁾ Includes General Obligation Bonds payable from general revenues. Does not include Revenue Bonds payable from revenues.

⁽²⁾ Furnished by the Bureau of Economic and Business Research (University of Florida)

COMPUTATION OF LEGAL DEBT MARGIN September 30, 2005

Assessed valuation 2005 roll		_3	\$ 903,707,712
Bonded debt limit- 15% of assessed value		;	\$ 135,556,157
Total ad valorem debt- General Obligation Bonds	\$ 3,770,000		
Amount of debt applicable			\$ 3,770,000
Legal debt margin		_1	\$ 131,786,157

Note: City Charter sets limit of ad-valorem bond indebtedness at 15% of assessed valuations.

REVENUE BOND COVERAGE LAST TEN FISCAL YEARS

		Direct	Net Revenue Available for		Debt Service F	Requirements	
Fiscal Year	Gross Revenue	Operating Expenses	Debt Service	Principal	Interest	Total	Coverage
1996	4,667,204	3,657,259	1,009,945	490,000	349,470	839,470	120
1997	4,955,872	3,825,070	1,130,802	505,000	332,320	837,320	135
1998	5,060,001	3,183,505	1,876,496	-	335,713	335,713	559
1999	3,641,641	2,292,819	1,348,822	295,000	536,000	831,000	162
2000	3,747,554	2,744,022	1,003,532	310,000	525,625	835,625	120
2001	3,514,412	2,774,223	740,189	320,000	513,229	833,229	89
2002	4,785,708	3,917,323	868,385	335,000	500,265	835,265	104
2003	4,885,544	3,243,656	1,641,888	350,000	486,362	836,362	196
2004	4,897,538	3,559,686	1,337,852	360,000	471,663	831,663	161
2005	4,957,104	3,988,023	969,082	375,000	456,363	831,363	117

Note:

Gross Revenue includes total operating revenues, interest income, miscellaneous revenue and operating transfers.

Direct Operating Expenses do not include depreciation.

PROPERTY VALUES, BUILDING CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

		Res	sidential	Cor	nmercial	Bank
 Fiscal Year	Property Value (1)	Units	Value	Units	Value	Deposits (2) for County
1996	519,671,581	101	1,361,530	29	1,075,300	51,200,000
1997	535,970,125	81	1,818,546	29	7,686,656	56,200,000
1998	540,727,726	43	2,163,489	85	16,850,990	58,200,000
1999	563,018,724	-	-	3	13,848,000	49,400,000
2000	615,353,829	3	565,374	1	1,000,590	52,600,000
2001	644,324,403	8	2,325,119	2	1,450,000	58,200,000
2002	670,674,067	90	4,104,374	2	344,293	61,700,000
2003	718,454,831	691	4,621,346	56	933,524	67,100,000
2004	780,207,991	560	2,483,658	31	3,960,550	69,300,000
2005	903,707,712	621	5,892,280	83	877,468	73,100,000

Note: Construction refers to new construction only, improvements are not to be included in these figures.

Sources:

⁽¹⁾ Property values are estimated at one hundred percent (100%) of assessed Real, Personal and Central Business District Property values.

⁽²⁾ State of Florida, Division of Banking as of June 30, of each respective year.

PRINCIPAL TAXPAYERS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

Taxpayer	Type of Business	2005 Assessed Valuation	Percentage Total Assessed Valuation
FELCOR/CSS HOLDINGS	Hotel Facility	19,000,000	2.4%
AIRPORT FINANCIAL CENTER	Commercial	9,288,231	1.2%
RED ROOF INNS	Hotel Facility	8,000,000	1.0%
AA GROUP INC	Commercial	7,567,934	1.0%
ROYAL ARMS PROPERTIES INC	Apartment Complex	6,772,266	0.9%
DORIAN VAN BEYER CALLEN	Hotel Facility	6,750,000	0.9%
FIRST CHOICE PROPERTIES CORP	Hotel Facility	6,507,500	0.8%
HFAIRHAVEN REAL ESTATE	Nursing Home	6,488,528	0.8%
4299 MIA SPRG LLC	Commercial	6,411,480	0.8%
SOUTHERN BELL TEL & TEL CO	Commercial	6,042,498	0.8%
MIAMI SPRINGS GOLF VILLAS INC	Apartment Complex	5,760,442	0.7%
BRE HMSTD PORTFOLIO LLC	Hotel Facility	5,400,000	0.7%
LA QUINTA	Hotel Facility	5,000,000	0.6%
PAUL PFEFFER &W ETI	Hotel Facility	4,839,561	0.6%
BERTHOLD H & MARJORIE B SAUER TRS	Apartment Complex	4,780,008	0.6%
FAIRWAYS INC	Hotel Facility	4,500,000	0.6%
HIDEAWAY IN THE GROVE	Apartment Complex	4,001,222	0.5%
OFFICE DEPOT INC	Commercial	2,943,728	0.4%
FELIX SESIN &W CARMEN	Apartment Complex	2,905,318	0.4%
BISCAY HOLDINGS LTD	Commercial	2,700,000	0.3%
LANDING ENTERPRISES INC	Apartment Complex	2,542,801	0.3%
MIAMI AIRWAYS PTNSHP	Hotel Facility	2,540,468	0.3%
REDES INVESTMENT GROUP INC	Apartment Complex	2,524,878	0.3%
RAMOS #2 LLLP	Apartment Complex	2,255,530	0.3%
THE CLEARING APARTMENTS INC	Apartment Complex	2,181,081	0.3%
MASA TSAY	Hotel Facility	2,120,176	0.3%
ROBERT AXELROD TR & WM F ADER JR	Commercial	2,098,520	0.3%
	Totals	\$ 141,922,170	15.7%

Sources:

Miami-Dade County Tax Assessors' Office

2005 Tax Roll

Real/personal property adjusted taxable value- \$903,707,712

TEN LARGEST PUBLIC AND PRIVATE EMPLOYERS LOCATED IN MIAMI-DADE COUNTY, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2005

TEN LARGEST PUBLIC EMPLOYER	S	TEN LARGEST PRIVATE EMPLOYERS		
Miami-Dade County Public Schools	54,387	Baptist Health Systems	10,300	
Miami-Dade County, Florida	32,265	University of Miami	9,079	
Jackson Memorial Hospital	11,700	American Airlines	9,000	
Miami-Dade Community College	7,500	United Parcel Service	5,000	
Florida International University	5,000	Bellsouth	4,800	
City of Miami	3,954	Winn-Dixie Stores, Inc.	4,616	
Veterans Administration Hospital	2,018	Precision Response Corp.	4,196	
City of Miami Beach	1,839	Publix Supermarkets	4,000	
City of Hialeah	1,800	Florida Power & Light	3,665	
U.S. Southern Command	1,200	Burdines/Macy's	3,368	

Source: The Beacon Council

DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

		Population (1)	Per Capita	a Personal Inco	ome (2)	Unemp	oloyment Rate	(3)	
_	Fiscal Year	Miami Springs	USA	Florida	Miami- Dade County	USA	Florida	Miami- Dade County	Enrollment Public Schools in Miami Springs
	1996	13,281	23,562	25,512	21,565	6.8	6.9	7.9	6,745
	1997	13,284	24,651	24,616	22,270	4.1	3.2	7.7	6,987
	1998	13,287	25,924	23,512	22,833	4.9	4.8	7.1	6,885
	1999	13,290	27,203	26,845	23,919	4.5	4.3	6.4	7,488
	2000	13,295	28,546	27,781	24,733	4.2	3.9	5.8	7,922
	2001	13,712	29,469	27,764	26,410	4.0	3.6	5.3	8,005
	2002	13,901	30,413	29,048	26,995	4.7	7.2	7.4	7,123
	2003	13,725	30,941	29,596	27,593	6.1	5.2	7.2	7,364
	2004	13,725	31,632	30,446	N/A	5.5	4.5	7.5	6,828
	2005	13,783	33,041	31,460	N/A	5.2	3.5	4.7	6,618

Source:

- (1) City of Miami Springs and State of Florida
- (2) US Department of Commerce, Bureau of Economic Statistics
- (3) State of Florida, Tallahassee, Florida Department of Labor and Employment Security, as reported in Florida Statistical Abstract 2000, Table 6.11, Page 232.
- (4) Miami-Dade County Public Schools Registrar's Office

^{**} Per Capita Personal Income is not available for the City of Miami Springs

CITY OF MIAMI SPRINGS, FLORIDA MISCELLANEOUS STATISTICS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

Date of Incorporation	August 23, 1926
Form of Government	Council/Manager
Area	2.8 square miles
Miles of Streets	55
Fire Protection(Miami-Dade County):	
Number of Stations	1
Number of Firemen and Officers	21-24
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	43
Training of the shoothest and consider	
Education(Miami-Dade County):	
Attendance Centers	2 Elem, 1 Middle, 1 Sr. High
Number of Teachers	Middle 100/MS Elem. 42/SPV.Elem 40/MS High 156
Number of Students	6618
Municipal Water Department:	
Number of Connections	4,245
	1000M gallons
Annual Consumption	
Miles of Water Mains	40 miles
Sewers:	
Number of Connections	4,311
Sanitary Sewers	57.25 miles 4.8 miles
Storm Sewers	4.0 miles
Building Permits Issued	1,592
Recreation and Culture:	
Number of Parks	3
Number of Libraries	1
Number of Volumes	2,000 (approx.)
Number of Senior Centers	1
Number of Public Swimming Pools	1
Number of Golf Courses	1
Non-Police Employees:	
Classified Service	84
Exempt	16
Police	43



CABALLERO & CASTELLANOS, P.L. CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

13340 SW 78 ST MIAMI, FL 33183 TEL (305) 609-6332 FAX (305) 675-8376

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council City of Miami Springs, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miami Springs, Florida (the City) as of and for the fiscal year ended September 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Miami Springs, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Miami Springs, Florida's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items No. 2003-1, 2002-3, and 2002-10.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Honorable Mayor and Members of the City Council City of Miami Springs, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Miami Springs, Florida's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Caballero & Castellanos, P.L.

November 22, 2005 Miami, Florida

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council City of Miami Springs, Florida

Compliance

We have audited the compliance of the City of Miami Springs, Florida, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-I33 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2005. The City of Miami Springs, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Miami Springs, Florida's management. Our responsibility is to express an opinion on the City of Miami Springs, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Miami Springs, Florida's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Miami Springs, Florida's compliance with those requirements.

In our opinion, the City of Miami Springs, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2005.

Honorable Mayor and Members of the City Council City of Miami Springs, Florida

Internal Control Over Compliance

The management of the City of Miami Springs, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Caballero & Castellanos, P.L.

November 22, 2005 Miami, Florida

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MANAGEMENT LETTER REQUIRED BY SECTION 10.554(G) OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and Members of the City Council City of Miami Springs, Florida

We have audited the basic financial statements of the City of Miami Springs, Florida (the "City"), as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated November 22, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General.* We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Summary Schedule of Prior Audit Findings and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 22, 2005, should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.554(1) (h) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the basic financial statements of the City, as described in the first paragraph, we report on the following, which is included on pages 82 through 89.

- I. Summary of Auditors' Results
- II. Financial Statement Findings and Recommendations
- III. Federal Award Findings and Questioned Costs
- IV. Compliance with the Provisions of the Auditor General of the State of Florida.

We previously reported on the City's compliance and internal control over financial reporting in our reports dated November 22, 2005 on pages 75 to 76.

This report is intended for the information of the Mayor, City Council, City Manager and management of the City of Miami Springs, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the City of Miami Springs, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

Caballero & Castellanos, P.L.

November 22, 2005 Miami, Florida

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FISCAL YEAR ENDED SEPTEMBER 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA <u>Number</u>	Contract #	<u>Expenditures</u>
Office of Homeland Security Federal Emergency Management Agency Public Assistance Grants	97.036	086-45200-00) \$ 1,082,648
U.S. Department of Health and Human Services Alliance for Aging, Inc. Title III, Part C Nutrition Services Title III, Part B Grants for Supportive Services Total U.S. Department of Health and Human Services	93.045 93.044	AA-505 AA-505	142,253 22,681 164,934
U.S. Department of Agriculture Nutrition Program for the Elderly	10.570	US-545	42,770
U.S. Department of Justice			
Federal Equitable Sharing Total U.S. Department of Justice	16.000	N/A	258,353 258,353
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,548,704

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROGRAMS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

NOTE A - General

The Schedule of Expenditures of Federal Awards Programs included herein represents all of the Federal grant awards of the City over which it exercised direct operating control for the year ended September 30, 2005.

NOTE B - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards Programs is presented using the accrual basis of accounting and includes expenses incurred by the City during its fiscal year October 1, 2004 to September 30, 2005.

NOTE C - Scope of audit pursuant to OMB CIRCULAR A-133

All Federal grant operations of the City are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 Compliance Supplement (Revised March 2005, the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent all Federal award programs with fiscal 2005 cash and noncash expenditures in excess of \$500,000 that ensure coverage of at least 25% of Federally granted funds. Actual coverage is approximately 70% of total cash and noncash Federal award program expenses.

Major Federal Award Program Description	Expenses
U.S. Department of Homeland Security- FEMA	\$ <u>1,082,648</u>

NOTE D – Findings of noncompliance

See schedule of findings and questioned for findings of noncompliance identified in connection with the September 30, 2005 Single Audit.

NOTE E – Audits performed by other organizations

During the year ended September 30, 2005, there were monitoring reviews of the City's Administration of Federal Financial Assistance Program performed by the Alliance for the Aging, Inc. All questions have been addressed by the City and there were no items of significance that required further reporting within the schedule of findings and questioned costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FISCAL YEAR ENDED SEPTEMBER 30, 2005

SECTION I -SUMMARY OF AUDITORS' RESULTS

		011
Finan	cıal	Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

No

Reportable conditions identified that are not considered

to be material weaknesses?

Yes

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

No

Reportable conditions identified that are not considered

to be material weaknesses?

No

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

No

Identification of major program:

CFDA Number

Name of Federal Program

97.036

U.S. Department of Homeland Security-Public Assistance Grants

Dollar threshold used to distinguish between

Type A and Type B programs:

\$300,000

Auditee qualifies as low risk auditee?

Yes

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Reportable Conditions

No. 2005-1 - Violations of City's Purchasing Policies and Procedures

CONDITION:

1) During our testing of the golf course operations, we were informed of several instances of noncompliance with the City's purchasing policy. The policy requires a competitive bidding process on contractual services, which exceed \$10,000; three written quotes on purchases ranging from \$5,001 to \$9,999 and three verbal quotes on purchases ranging from \$1,001 to \$5,000. On both instances, no competitive bidding or written quotes were obtained.

2) The City's purchasing policy also requires a purchase order to be prepared and approved before the goods are ordered. We were informed of several instances in which management of the golf course

operations initiated the purchasing process after the goods were received.

3) During our testing of the golf course operations, we were informed that there was an agreement with a Canadian company to bring Canadian golfers to play at the City's golf course for \$24 per round. The City's management is not aware of this agreement being presented to them by the golf course's management company and it was never presented to the Council for approval. (Also see finding 2005-2)

CAUSE:

1) Payment was processed without Council approval.

 The private management company in charge of golf course operations is not complying with the City's purchasing policies.

3) The private management company in charge of golf course operations is not adhering to City policies and procedures over the establishment of golf course fees.

EFFECT:

The City's Purchasing Policies and Procedures and City Code of Ordinance are not being complied with.

RECOMMENDATION:

We recommend that the City implement procedures to ensure compliance with its purchasing policies. We also recommend that the City implement controls over the operations of the golf course management company as well as overall golf course operations.

MANAGEMENT RESPONSE:

The City has taken steps to monitor the purchasing activities at the golf course operation in order to ensure compliance. The City Administration has advised the management company that any future violations would result in possible termination of its contract.

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (CONTINUED)

Reportable Conditions

No. 2005-2 - Cash Management

CONDITION:

1) During 2005, the City implemented a new point of sale system at the golf course. With the implementation of the new system, the City was able to discover a fee arrangement with a Canadian company to bring Canadian golf players to play for \$24 per round. The cashiers were instructed to charge a round fee of \$18.69 plus a 7% sales tax totaling \$20 and the remaining \$4 were placed in an envelope for the Canadian company as a commission. The City found that this arrangement had been in place for three to four years and there were no records of the contract with the Canadian company being presented to the City's management or City Council for approval. (See finding 2005-1). Therefore, the City never reported the \$4 commission to the IRS, and the related transaction was never properly accounted for.

2) During 2005, the golf course's management company notified the City that it would deduct \$2 from all tournament fees to be paid as gratuity to the staff working the tournament. This fee arrangement was not approved by City Council and since the City's finance department was not aware of this arrangement, the gratuities were never reported in the receiving employees W-2 statements.

CAUSE:

1) A lack of internal control over the recording of revenues at the golf course.

2) A breach in communication between the actions of the golf course management company with the City's management and Council.

EFFECT:

The golf course management company violated the City's internal controls over cash management. The City is exposed to a potential tax liability because of the improper reporting of these transactions.

RECOMMENDATION:

We recommend that the City implement policies and procedures over all golf course operations to ensure compliance with all City, State, and federal requirements and ordinances.

MANAGEMENT RESPONSE:

The City has taken steps to monitor the revenue recognition process at the golf course operation in order to ensure compliance. The new point of sale system is a major tool in helping achieve compliance with established controls. The City Administration has advised the management company that any future violations of established internal controls would result in possible termination of its contract.

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters

No. 2004-1 Utility security deposits

CONDITION:

During our testing of utility security deposits, we identified three (3) customers of fifteen (15) tested which had no security deposits for utility services. The City's Utility Rate Ordinances require that the City maintain security deposit balances for all customers. By not have a security deposit balance on record for these customers, the City is not complying with its Utility Rate Ordinances.

CURRENT YEAR STATUS:

During FY 2005 the City mailed notices to all customers without deposits that the amount of deposit due would be billed on their next utility bill. All have been collected as of 9/30/05.

No. 2004-2 Enterprise fund deficits

CONDITION:

During our testing of the enterprise funds we noted that the Sanitation Fund had an operating loss of approximately \$124,000 during 2004. The fees charged to the City by Miami-Dade County for waste disposal have increased however, there has been no adjustments to rates charged to the residents for these services.

We also noted that the Water & Sewer Fund and the Sanitation Fund had deficits in unrestricted net assets of approximately \$278,000 and \$51,000, respectively. These deficits in unrestricted net assets represent negative reserves for future repairs and improvements to the City's Utility System.

CURRENT YEAR STATUS:

The City Council approved a 55% increase in water and sewer rates effective 10/1/05, the operating deficit for FY2005 was funded by an operating transfer from the General Fund. It is expected that the new rate increase will be sufficient to cover any operating loss in FY2006 as well as providing a profit to help increase our fund balances.

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions

No. 2002-10 Lack of controls over golf course operation

CONDITION:

As a result of the performance of certain procedures over the Golf Course and Country Club operations, we noted a lack of internal control over cash receipts, cash disbursements, payroll, and general operations.

The results of our tests over the Golf Course and Country Club operations were as follows:

- a City policies require that at the time a reservation is made for all banquets, a signed contract and a deposit must be obtained however, we noted in a number of cases where no signed contract was in the file. In one specific case, an individual that canceled a banquet was able to obtain a refund of his deposit because a signed contract had not been obtained.
- b Employee discounts provided on selected menu items cannot be reconciled with daily comp logs. Also, we noted that employee discounts were being provided to individuals that were not employees of the golf and country club.

Based on our tests performed during the 2004 audit, we noted that comment a. and b. above have not yet been addressed. In addition, we identified the following:

- i) The Pro Shop's point of sale system is not being utilized for inventory controls over sales merchandise. There is no perpetual inventory system maintained on the inventory items. A monthly physical inventory count is performed and amounts, including cost are updated manually.
- ii) We noted that there is no formal policy for verifying the customer's residence for the use of the discounted resident rates. A formal policy should be established for verifying the customer's residence as well as the residence of individuals accompanying the resident golfer.
- iii) Once the Pro Shop closes, the sale of tokens for a basket of golf balls for the drive range is handled by a part-time employee, which sells the tokens from a booth. There are no controls in place to ensure that all baskets of golf balls were paid for at the end of the day. There is a vending machine that can be used for this service however the machine is out of service most of the time.

CURRENT YEAR STATUS:

During 2005, we noted no findings regarding banquets and employee discounts as noted above in comment a, and b,; and therefore those comments will not be repeated.

We also noted that the City implemented a new point of sale system which does utilize inventory controls over sales of merchandize as noted in comment i.) above; and therefore that comment will not be repeated.

However, we did note that although there is a formal policy for verifying the customer's residence, there were instances during the year where the policy was not followed. We recommend that the City comply with its policy of verifying the customer's residence. We also noted that there are still no controls in place to ensure that all baskets of golf balls were paid for at the end of the day. Comments ii.) and iii.) above will be repeated. Also see reportable conditions reported as comments 2005-1 and 2005-2.

MANAGEMENT RESPONSE:

The new point of sale system will allow us to establish a database so that residency can be verified as well as provide an audit trail that will allow us to test compliance. We are also in the process of purchasing a new ball dispensing machine that will provide stricter controls over cash sales.

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters

2002-14 Financial Condition Assessment

CONDITION:

In connection with our audit of the City, we applied financial condition assessment procedures pursuant to Section 10.556(8), Rules of the Auditor General, to determine if deteriorating financial conditions exist that may cause a financial emergency to occur if actions are not taken to address such conditions. The results of our assessment indicated that the entity's overall financial condition is deteriorating.

The City total unreserved fund balance/retained earnings has been declining over the past few years due to recurring losses in its Water and Sewer and Golf Course Operations Funds. Recurring losses indicate that revenues are not sufficient to cover expenditures or that expenditures are excessive.

CURRENT YEAR STATUS:

The results of the FY2004 financial condition assessment indicated that the Entity's overall financial condition has improved; however, the FY 2005 assessment was inconclusive. The Golf Course Fund continues to recognize significant net losses from operations and the Water & Sewer and Sanitation Fund experienced losses before transfers.

MANAGEMENT RESPONSE:

The City continues to address the Water & Sewer, Sanitation and Golf Course operations in order to reduce operating losses. The City Council has approved a significant rate increase for water, sewer and sanitation for FY2005-06. The proposed increase will provide sufficient revenues to not only cover the operating expenses of these operations but provide for an increase in reserve balances.

The City has also entered into an agreement with a third party that will take over responsibility for the food and beverage operation at the golf course. This part of the operation was responsible for a significant amount of the losses in the past. The Administration is also studying various operating models for the golf operation in order to further reduce losses from this part of the operation.

No. 2001-01 Golf Course Fund

CONDITION:

We noted that the City operates a Golf Course Fund, which is very costly to the City and has been operating under a deficit since its inception during fiscal year 1998. It may be more cost effective for the City to sell or discontinue operations of the Golf Course Fund.

CURRENT YEAR STATUS:

The Golf Course Fund continues to operate at a deficit, and recorded negative operating results for 2004 and 2005. During 2004, the City converted the Golf Course Fund from an enterprise fund to a special revenue fund, since the Golf Course fees have not been sufficient to cover its operations since the inception of the fund. The City is also studying other possible management models of the Golf Course operations to reduce or possibly eliminate the losses to the City.

MANAGEMENT RESPONSE:

The City has entered into an agreement with a third party that will take over responsibility for the food and beverage operation at the golf course. This part of the operation was responsible for a significant amount of the losses in the past. The Administration is also studying various operating models for the golf operation in order to further reduce losses from this part of the operation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

C. CURRENT YEAR FINDINGS

NONE

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SECTION IV. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

- 1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
- Recommendations; except those addressed in the Schedule of Findings and Questioned Costs, made in the preceding annual financial report, have been addressed.
- Recommendations to improve the City's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings and questioned costs.
- 4. During the course of our audit, other than matters that are clearly inconsequential considering both qualitative and quantitative factors, nothing came to our attention that caused us to believe that the City:
 - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to properly record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations and instances of fraud.
- 5. The City was incorporated by Chapter 5799, Laws of Florida, Acts of 1907. There are no component units related to the City.
- The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
- The City, during fiscal year 2005, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1).
- 8. The annual financial report (AFR) for the year ended September 30, 2005 filed with the Department of Banking and Finance (the Department) pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the current audit period.
- 9. During the course of our audit, as more fully disclosed in Note 14 of the basic financial statements, we applied financial condition assessment procedures pursuant to Rule 10.566(7). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. The accompanying schedule of findings and questioned costs presents the current year's reporting of the City's financial condition.